THE REAL ESTATE MARKET IN AN URBAN RENEWAL AREA

urban Renewal

New York City Planning Commission

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NEW YORK CITY PLANNING COMMISSION

The Real Estate Market In an Urban Renewal Area

Tenure Ownership and Prices of Residential Real Property in a Twenty-Block Area of Manhattan's West Side

by

CHESTER RAPKIN

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PREFACE

Professor Rapkin's study of the West Side real estate market points out some of the important economic consequences of neighborhood decline. He establishes the almost complete termination of new construction, the drying-up of institutional mortgage flows, the turnover of property to a new type of investor, the growth of absentee ownership and the transformation of much of the housing inventory to furnished room occupancy.

It is difficult to overstate the importance of the facts and analysis provided by this study in developing our West Side Urban Renewal Report. But the value of the report goes beyond its immediate and direct application to the problems which confront New York. For what is happening in our own West Side has parallels in thousands of neighborhoods in hundreds of cities. Rapkin's work can therefore serve as a model of market research which can be profitably followed by other investigators. The reader will find here highly useful material on the design of a market study, on ingenious techniques for converting public records into usable facts, and on the skillful organization of raw data into meaningful tabulations.

James Felt
Chairman
New York City Planning Commission

February, 1959

FOREWORD

This study of the real estate market was undertaken to provide data and analysis essential to the formulation of policies and procedures for the rehabilitation of a section of the West Side of Manhattan. It is one of several studies which, in combination, present a total approach to the problem of raising the quality of the housing stock in multiple dwellings and providing the necessary community facilities and amenities for the population of the area.

This report was enriched by the advice, assistance, and cooperation of many individuals and groups. Most fruitful were the day-to-day contacts with the members and staff of the New York City Planning Commission, especially Chairman James Felt, Mr. Norman Williams, Jr., Mr. Donald Monson, Miss Anna Clark, Dr. Louis Winnick, Mr. Richard Bernstein, Mr. Abraham Gottlieb, Mrs. Vita Weiss, Mrs. Evelyn Mann, Mr. Sol Mann, Mr. Samuel Mozes, Mr. Fred Rosenberg and Mr. Warner Ettish. Other agencies, firms, and individuals include The Real Estate Board of New York, Mr. Harold V. Peterson of the New York City Tax Department, the New York City Register's Office, the Temporary State Housing Rent Commission, The New York City Housing Authority, *Real Estate Record and Builders Guide* published by F. W. Dodge Corporation, Mr. William Grigsby of the Institute for Urban Studies, University of Pennsylvania, *The New York Times*, Mr. Lloyd J. Phillips of L. J. Phillips-Wood Dolson Company, Inc., Mr. Norman M. Buchbinder of Nassoit-Sulzberger and Company, Inc., Mr. George Wolfe of John J. Dickerson, Inc., Miss Fannie White of Morgenthau-Seixas Company, Inc., John L. Hennessy Company, Mr. George W. Weiss of Meyer and Steffens, Inc., Mr. Lloyd W. Hardy, Hardy, Braunies and Naumann, Inc. Considerable benefit was derived from the opportunity to review the unpublished report on the West Side prepared by Hans Blumenfeld and John Rannells for the New York Chapter of the American Institute of Architects. In addition, many interviews were conducted and considerable help received from real estate operators and managers, mortgage brokers, and bank officials who preferred to be mentioned only in this manner.

The following staff members participated in the preparation of the report: Mr. Abraham Goldblatt, who supervised and designed many of the statistical tabulations and contributed to the basic economic analysis; Mr. Bertram Elgot, whose knowledge of real estate and of sources of data made possible the analysis and quantification of many facets of the market hitherto unmeasured; Mr. James Olmstead, who drafted a number of sections of the report and made valuable suggestions regarding style and presentation. In addition, there were many statistical clerks who participated in the arduous and exacting task of collecting, editing and verifying the basic data and the statistical tabulations. Special recognition is due Mrs. Florence Showell, who was responsible for seeing the report through various drafts.

These acknowledgements are cited to convey the appreciation of the author for the generous assistance given in the course of the study. They in no way imply responsibility for the facts or interpretations presented in the report which, of course, rests entirely with the author.

Chester Rapkin

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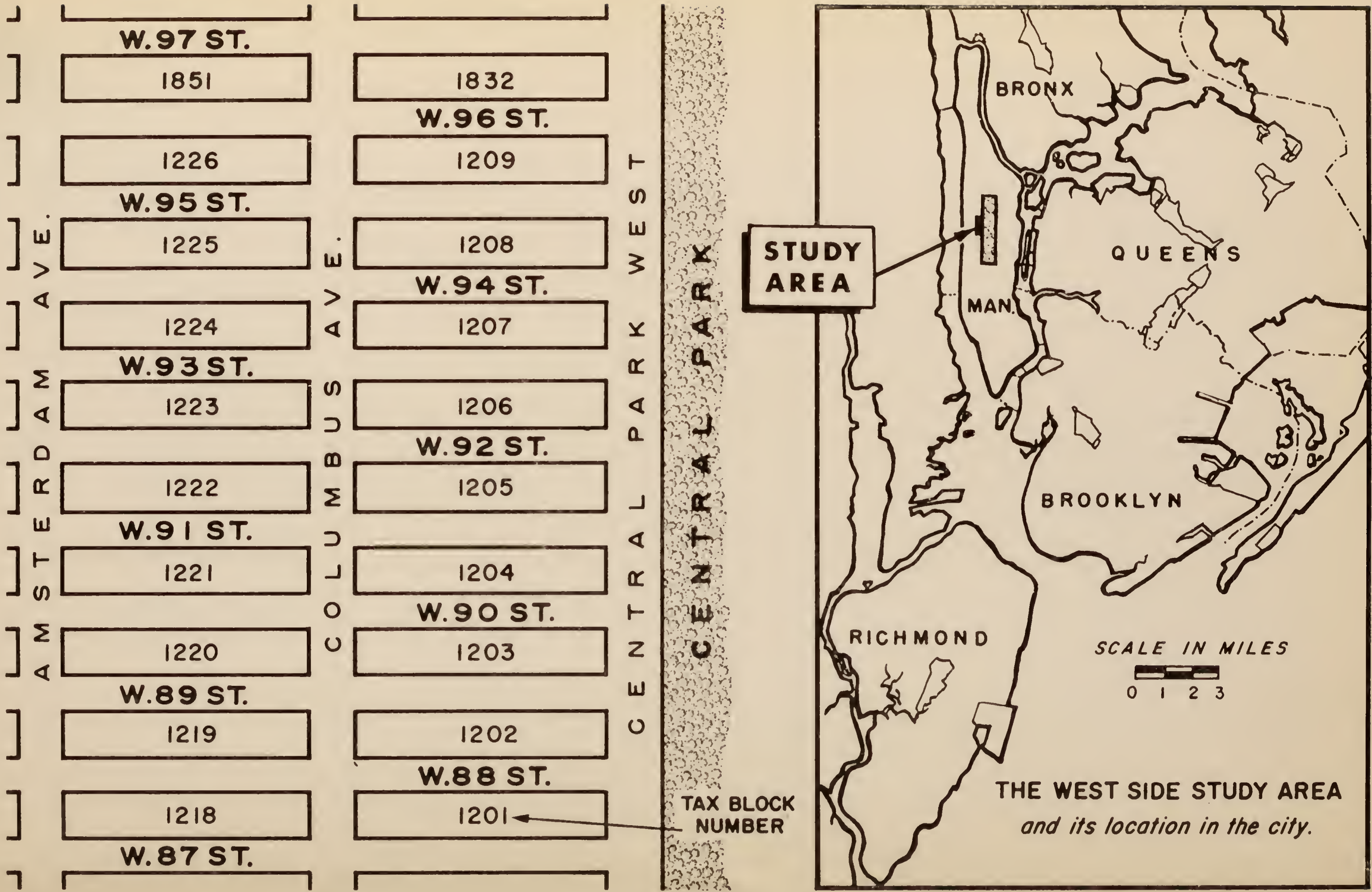


THE WEST SIDE STUDY AREA
and its location in the city.

Chapter I

STATEMENT OF THE PROBLEM

Despite the fact that new building has continued at extremely high levels during the post-war period, neighborhood deterioration and obsolescence of structures have spread in virtually every urban area, and have been particularly evident in the central portions of our cities. It has been estimated by the American Council to Improve Our Neighborhoods (known as ACTION) that of the 1955 non-farm housing inventory of 42,500,000 dwelling units, 5,000,000 are slums and 20,000,000 require some sort of rehabilitation. ACTION has calculated that an investment of $100 billion is required during the next decade, over and above the regular current expenditures, to restore American housing to acceptable standards of occupancy and environment.

The concept of urban renewal, while not new, was enunciated as national policy for the first time in 1954, both in statements by the President of the United States and in the Housing Act of 1954. In essence, the urban renewal program seeks to mobilize all available Federal, State and local aids to accomplish the task of raising the quality of the American housing stock within the larger framework of acceptable urban planning standards. Because of the magnitude of the task, it became manifest that maximum utilization of existing housing resources was required and that concerted attempts were necessary to keep structures from further deterioration. Thus, the renewal program combines the clearance of substandard structures and the construction of new buildings with efforts to conserve and rehabilitate dwellings that threaten to deteriorate into slums in the immediate foreseeable future.

This type of program poses a new set of problems. When the emphasis on urban redevelopment was on complete clearance of land and construction of entirely new buildings on the cleared site, previous owners ceased to have any legal or financial interest in the area after the acquisition of land was completed by the redevelopment authority. Ownership was transferred to the municipal agency either through purchase or condemnation proceedings, and even if some of the previous owners did reacquire land for reuse, the tie with the past was in essence severed. In the case of the renewal program, existing owners of buildings that are not designated for demolition have a continuing interest by virtue of title to their properties. It thus was essential to investigate the economic climate that exists in the real estate market in order to develop various approaches to the problem that would serve to implement the program on a local level.

Because experience with urban renewal had been very limited, the Housing Act of 1954 made provisions for experimental studies in this area. By mid-1956 more than a dozen such "Section 314" demonstration projects were under way in a number of cities, with a variety of approaches. Under the direction of the New York City Planning Commission, the first of these was undertaken in New York. A twenty-block area on the West Side of Manhattan was subjected to intensive study to determine those structures that should be demolished, those that could be rehabilitated and those that should be left untouched. The condition of the structure itself was not the only criterion determining the treatment that will be recommended since attention also is being given to such matters as the provision of adequate open space, traffic patterns, and civic design. A team of architects, engineers, economists, lawyers, demographers, and housing experts began work in the summer of 1956, and a report containing a program of action was published in April, 1958. The supplementary report presented herewith is a section of the larger investigation and deals with matters related to the real estate market in the area.

The real estate market study was undertaken to provide answers to a number of significant questions related to the determination of public policy. Efforts were made to investigate those characteristics of the market that might block progress of the renewal program. In this regard it was felt that a question of prime consideration was the extent to which the existing owners of property in the area held a long-term rather than a speculative interest in their real estate. Quite obviously, owners who are concerned with short-term capital appreciation will be more inclined to raise net revenues by whatever devices they can employ, and less likely to make additional investments. It was also essential to analyze the area as a source of revenue to the municipality in order to determine the extent to which public finances have been influenced by recent changes in the Study Area, and what might conceivably occur to real estate tax collections in the area if matters are permitted to continue as they have in the past.

A major concern in the present report is revenue derived by landlords from the operation of their structures. If current net income proves to be higher than that which results from the various financial incentives available in the renewal process, it would seem evident that landlords will not be willing to undertake the investment and the effort necessary for full participation in a program of the dimension necessary for the rehabilitation of the area. The renewal effort will also require a considerable amount of financing. It was therefore felt essential to know what the flow of mortgage funds has been in the area and to learn the terms and sources of these funds. If, for example, financial institutions have been reluctant to participate in mortgage lending in the area, it might be difficult to counter this attitude to a degree necessary to provide the funds required for rehabilitation.

These matters have been discussed in considerable detail in the following chapters of this report. In addition, the report includes sections devoted to the history of the area and to its population and housing characteristics. A concluding chapter contains a summary of the major findings of the study and an analysis of their implications.

Chapter II.

HISTORY AND DESCRIPTION OF THE AREA

The phases through which the upper West Side has passed are almost classic in character. At one time an area of dignity and elegance, it is now infiltrated with decay and congestion. The luxurious apartment buildings facing Central Park are flanked on the side streets by deteriorated structures, many of which house a family to a room. In this chapter, part of the story of the change in the area is presented, along with some details on the topographic and special features of the area.

The urban development of the upper West Side may be divided into three stages: the mass construction of single-family brownstone dwellings and old-law tenement houses between 1880 and 1900; the erection of luxury apartment houses between 1901 and 1930; and the virtual cessation of construction following 1930, accompanied by a subdivision of existing dwelling units to accommodate a growing population.

The period from 1880 to 1909 may be regarded as the first phase in the development of New York as a modern metropolis and of the West Side as a prominent residential area. By the end of that period New York had experienced such changes as the introduction of the elevated railroad, the purchase of the plot for Central Park (1858), the paving of streets, the use of electricity in place of gas for lighting, the removal of surface power lines to underground conduits, the improvement of the passenger elevator, and the opening of the Broadway subway. All of these events contributed to the residential building boom that flourished until the end of the first decade of the twentieth century.

The establishment of Central Park and the completion of the steam-powered elevated railroad along Ninth Avenue, now Columbus Avenue, provided the stimuli to the land boom in Riverside. Following the Avenue of the Americas to 59th Street, the line turned westward and proceeded along Ninth Avenue as far as 110th Street, where it continued along Eighth Avenue into the Harlem Valley. All along its route, high-volume construction of one-family brownstones immediately got under way, concentrating in particular around the "el" stations.

Real estate prices soared in the area served by the "el", and by 1884 an average 25-by-100 foot lot near 72nd Street and Broadway sold for $15,000. Such an investment could be justified only by the erection of an expensive house. Typically, this was a single-family row house of three to five stories (plus a habitable basement), covering from fifty to sixty percent of a 25-foot lot, and containing a floor area of 5,000 to 6,000 feet. As such a mansion could be purchased and maintained only by a man of means, one might infer that they were occupied only by the rich. Yet, contemporary reports indicate that almost from the beginning many of these houses were occupied by two families or by lodgers. Even before this period, *Scribner's Monthly* (May, 1874) asserted that ten times as many of these sumptuous one-family houses had been built as there were "families large enough to fill them or rich enough to support them".

In the less favorable sections of the area, tenement houses for working-class occupancy were constructed. These five and six-story walk-up apartment buildings grew up along Columbus Avenue, which was blighted by the elevated structure that cut off light and air and by the noise and soot of the passing trains. Rows of these structures also were placed on the less desirable side streets, the streets between Columbus and Amsterdam Avenues which were some distance from the Park and from Broadway. Many of the tenements were of the dumb-bell type, which made maximum use of the land but provided dark and dreary living quarters.

During these decades, building proceeded rapidly in the area. Broadway was paved between 1890 and 1896. Riverside Drive, soon to become one of the most fashionable residential areas of the City, was opened in 1900. Two or three years later the "el" was electrified. The Boulevard, or upper Broadway, was decorated with center strips and trees, designed to be a "thoroughfare for homes, a driveway for fashionable equipages." In 1904, New York's first subway was opened from Brooklyn Bridge to 157th Street and Broadway, destroying much of the Boulevard's charm but setting into motion a new wave of building, particularly in those areas not previously serviced by the "el". Residential contractors, commercial concerns, and institutions were soon bidding competitively for the valuable land along its route.

The Apartment House Boom

The two decades of 1910 to 1930 witnessed the greatest of all booms in apartment house construction in New York. Pre-World War I buildings of twelve stories proved to have been conservative. In the 1920's apartment towers of sixteen and more stories replaced many of the older structures of modest size in concentrations along Broadway and West End Avenue, on Riverside Drive and Central Park West, and on the wide east-west cross streets of 72nd, 79th, 86th, and 96th Streets. For the rest of Manhattan as well as the West Side, the rate of activity for this type of structure has never been equaled, before or since.

It is these buildings that today provide the bulk of high quality housing stock. Most of these structures are well maintained and serviced and they represent the bulk of residential values in the area.

The Depression and Its Aftermath

During 1929, almost 11,000 apartments, the second highest number since 1924, were erected on Manhattan. By the end of 1933, only four years later, the volume had plummeted to exactly zero. The precipitous decline that reached a nadir in 1933 was succeeded by a long period of slow, irregular activity from which to this day no appreciable recovery has been made on the West Side. Even the sort of event that a few years back had invited a considerable amount of speculative activity did not disturb the deep lethargy of the depression years. The opening of the Eighth Avenue subway along Central Park West, in 1932, produced no immediate effect. The removal of the "el" tracks from Columbus Avenue likewise attracted slight interest. A noteworthy exception to the trend was supplied by the present Study Area itself, where early nine and ten story apartment houses facing Central Park between 90th and 91st Streets were retired in favor of the Eldorado, a huge towering apartment building. In general, however, as with the rest of Manhattan, historically dynamic development of the West Side had come to a standstill.

Inventory of the Area [1]

The area selected for study comprises twenty blocks bounded by Central Park West, Amsterdam Avenue. West 87th Street and West 97th Street. The blocks are roughly 200 by 800 feet, a size and shape characteristic of most blocks on Manhattan Island.

In 1956 there were 1,113 parcels of real estate in the area of which three were vacant lots. The remaining parcels included 1,110 structures of which 1,037 were residential, 2 unoccupied residential, and 71 non-residential. Over 60 percent of the residential buildings in the area were brownstones, and 30 percent were old-law tenements without elevators. The large elevator structures constituted only 6 percent of the total, but their size is indicated by the fact that they account for 49 percent of the residential floor space and occupy one-fourth of the residential land in the area. Almost 90 percent of the structures were built prior to 1901. Only

1. See Appendix tables A-1 to 8 for detailed statistics on the items discussed in this section.

five new buildings or less than .5 percent of the inventory were added in the post-World War II period.

The majority of the properties measure about 100 feet in depth and less than 20 feet in width, a direct consequence of the subdivision recorded in 1811. In the course of the years, however, adaptation in the lot size was made to conform with the requirements of the structure. Brownstones typically are on plots between 18 and 20 feet in width and within inches of 100 feet in depth. Old-law tenements occupy plots that are usually 25 by 100 feet, but many occupy lots that are wider and shorter. The dimensions of the lots on which elevator buildings stand vary greatly. Those constructed before 1901 are usually on plots 32 by 100 feet. Those built between 1901 and 1929 are of similar depth but run between 70 and 90 feet in width. Buildings erected since 1929 vary in depth from 100 to 200 feet and in frontage from 75 to 125 feet.

Plot area reveals an extensive range of variation. Records show two plots with as little as 500 square feet of area, and another two with as much as 25,000 square feet. Four out of five plots, however, fall into the narrow range of 1,500 to 3,000 square feet. This concentration is due in considerable measure to the preponderance of brownstone structures, which have a plot size of between 1,600 and 2,000 square feet. Plots of the old-law tenements are usually larger than those of the brownstones, with two out of every three measuring between 2,000 and 3,000 square feet in area. An old-law elevator building typically has a plot size of 5,000 to 6,000 square feet; a new-law elevator an area of 8,000 to 9,000 square feet, and the post-1929 elevator building an area of 10,000 to 11,000 square feet. (But since so many properties of extreme size are included in this last group, the average plot area is half again as large.)

Business Establishments

The 491 individual business concerns in the area provide goods and services in a variety not to be found in some small cities. These concerns also differ greatly in size and quality, ranging from large supermarkets and the massive, fortress-like bank to the small, dingy shops that yield the owner little more than its upkeep. Both in type and in quality the products of services offered have been scaled to accommodate, on the one hand, the requirements of the middle and upper-income families and, on the other hand, the special needs of the several ethnic groups resident in the area.

Close to 70 varieties of trade and service establishments have been identified in the area. For discussion here these have been combined into the following general classes: food, liquor, and drugs; shoe repair, and clothing services; house outfitting and repair; eating and drinking places; general merchandise, jewelry, furniture and appliances; apparel; personal service; banks and offices; general commercial; commercial services; vacant stores; garages and filling stations; and miscellaneous manufacturing and warehousing (see Appendix Table A-9). It is not surprising that those establishments serving some of the most basic needs are found to be present in the greatest number. More than half of the business concerns in the area deal in some kind of service, as in the case of laundries, shoe repair shops, dry-cleaning establisments, photographers, funeral homes, and even travel agencies. Most common within this group are the hand laundries, with 35 shops, and the dry-cleaning establishments, with 20 shops. Grocery stores, meat markets, bakeries, delicatessens, candy shops, and other stores dealing in foods or drugs make up the second largest group, accounting for one of every four businesses in the area. Of these the most prominent, of course, are the grocery stores with 35 shops, and the meat markets with 17 shops. Another important group, accounting for one of every ten businesses, consists of restaurants, cafes, bars, or similar eating and drinking establishments, numbering 50 altogether.

Characteristics of the Population

The population of the Study Area, as well as that of the West Side as a whole, has continued to grow throughout the years. Between 1925 and 1956, the number of persons in the twenty-block district increased from 24,950 to 38,950, a rise of more than fifty percent in the thirty-year period.[2] For an area that experienced very little new construction during that interval, these are indeed portentous figures.

The area has a polyglot tradition. On each of the census dates from 1910 to 1950, approximately one-third of the population was shown to be foreign-born.[3] In the earlier years of this period, the immigrant population in the area was largely Irish and German. In the later years the proportion of Central Europeans, most of whom were Jews, tended to increase. The most striking change in the ethnic composition did not occur among the foreign-born, but rather within the native population.

2. Data cited in this section are from the New York City Planning Commission and Audits and Surveys Company, Inc. Data for 1925 drawn from Florence E. S. Knapp, *State of New York Enumeration of Inhabitants, 1925*, Legislative Document (1926) No. 10, (Albany, New York, 1926). Data for 1934 from W. P. A. *Real Property Inventory Files for New York City*.

3. Data refer to Census tracts 173, 177 and 181, which in aggregate are four blocks larger than the Study Area.

The most important change in the resident population occurred in the years following World War II. Large numbers of Puerto Ricans migrated to New York, many of whom settled in the brownstones and old-law tenements in the West Side Study Area. In 1940 the Puerto Rican population in the area was negligible and in 1950 it was less than 5 percent. Between 1950 and 1956 the Puerto Rican population in the area increased almost eight-fold, and constituted more than one-third of the total population at the end of that period. The color composition of the residents has also changed markedly in recent years. The non-white non-Puerto Rican population has grown from one percent in 1950 to nine percent in 1956.

As a result of these shifts in the population there are today several different population groups distinguished by family composition, income levels, language, cultural heritage, and housing accommodations. This heterogeneity lends interest to the area but adds to the complexity of the problems of urban renewal.

The Subdivision of Living Space

Accompanying the increase in population has been a rise in the inventory of dwelling units which, since 1930, has been attributable almost entirely to the subdivision of large apartments into smaller units or the conversion of single-family houses into multiple dwellings. Between 1934 and 1956 the number of dwelling units in the area rose from 7,630 to 13,928, an increase of over 80 percent (see Table 1).

Many of the structural conversions are of excellent design and good quality. The bulk of the more recently converted dwelling units, however, are little more than single rooms with a lock on the door and a hot plate for cooking facilities and most without private bathroom. This type of converted unit is thus barely distinguishable from a room in a rooming house. In 1950 were 3,642 persons living in non-institutional quasi-households (or non-dwelling unit living quarters). If it is assumed that each quasi-household contained one person, 3,642 is the maximum number of quasi-households in 1950. Since it is more likely that in many cases there was more than one person per quasi-household, the actual number of non-dwelling unit living quarters is assumed to have been less. In 1956, the number of non-dwelling unit living quarters dropped to 1,396, indicating that up to 2,200 rented rooms, bearing the above in mind, were "converted by use" to dwelling units.

Although the conversion of dwelling units into rooming house units took a spectacular turn with the recent influx of the Puerto Rican population, rooming houses on the West Side have antecedents which go back at least fifty years. As the children of the older residents of the brownstone dwellings left their homes to establish families elsewhere, the elderly couples frequently found themselves with more space than they could use and with a household that seemed empty. It was not uncommon in these circumstances for the householder to rent a room on one of the upper floors of the structure to a dignified elderly bachelor. Many other owners of the brownstones as they advanced in age felt that the maintenance of so large a structure for so few people was an excessive burden, particularly in light of the difficulties and expense encountered in obtaining adequate household help. These couples often moved to the more modern apartment houses that were rising in the area, where full service was provided by the management. In many instances, the brownstone that they formerly occupied was taken over by the employed housekeeper who, having no other means of earning a livelihood, converted the structure to rooming house use. For the most part, the occupants of the rooms were single individuals or young married couples without children.

During the 1930's the depression that hit the housing market was perhaps felt most severely in that sector of the supply that provided large and expensive accommodations. With the general decline in income, the demand

TABLE I

NUMBER OF DWELLING UNITS IN THE STUDY AREA

Year	Number	Percent Increase
1934	7,630*	—
1940	10,470	37
1950	11,840	13
1956	13,928	18

Source: 1934 - Mayor's Committee on City Planning, 1934.
1940 and 1950 figures - Bureau of Census.
1956 - Audits and Surveys Company, Inc.

* There was no Census of Housing in 1930. In that year, according to the Welfare Council of New York City, there were 7,828 "homes" in Health Area #32 which covers an area four blocks in excess of the Study Area. This figure is based on tabulations, made by the United States Census Bureau, of data on *Families* enumerated in the 1930 Census. The 1930 Census defined "family" as "group of persons related either by blood or by marriage or adoption, who live together as one *household,* usually sharing th same table." Since no data by block is available for 1930, it is not possible to compute the number of dwelling units existing in the Study Area in that year. In 1934, the same, slightly larger, area had 7,723 occupied family-quarters, 1,251 vacant, and a total of 8,974. These data were enumerated under the direction of the Mayor's Advisory Committee on Real Property Inventory. The Committee, in its residential report, defined family-quarters as including all space used (or designed for use) for dwelling purposes by private families, whether in residential structures or not.

for the large luxury type apartment contracted very severely and a considerable number of vacancies appeared in the supply. Many individuals, particularly elderly ladies with limited business experience and very small financial resources, rented large apartments in elevator structures and converted them to rooming house use. Thus, simultaneously, three purposes were served: some of the vacancies were absorbed and the landlords were assured additional regular income; the "rooming house" operators had a means of earning a livelihood; and many young people who ordinarily could not afford to live in conveniently located elevator buildings of good quality now had the opportunity to rent one room in such quarters. Although the number of persons occupying the space in the former dwelling unit increased under these circumstances, by and large the number of persons was limited to one or two individuals to a room. In the most part these were white collar workers or students who used the premises during the evenings and on the weekends.

It was not until the arrival of large numbers of Puerto Ricans in the area that the problem of a family-with-children per room arose. In hindsight it appears inevitable that this development should have occurred. At the time of their arrival, the existing housing stock was fully occupied. Their incomes were extremely low. Under such circumstances, the housing market could accommodate only through the subdivision of existing space into smaller quarters or by further intensification of use. This type of conversion occurred in the old-law tenements in which apartments were changed to single-room occupancy. Brownstones that had been in one and two-family and in limited multi-family use were converted into rooming houses or by the addition of a hot plate into one room dwelling units. However, the Puerto Rican families also replaced many one person households or quasi-households that previously occupied single-room quarters. Since 1950, there has been a sharp drop in the number of unrelated individuals in the Study Area.

In 1956, out of a total of 1,037 residential structures in the area, at least 463 were used entirely as rooming houses. Of this group 37 were old-law tenements and 426 brownstone structures. Of the 13,710 living quarters classified as dwelling units in 1956, 21 percent consisted of less than two rooms located in a structure classified as a rooming house. In addition, there were 1,500 non-dwelling unit living quarters, making a total of approximately 4,400 housing accommodations that could not be considered dwelling units in the commonly accepted sense of the word.

As one would expect, overcrowding has become widespread in the area.

Almost 25 percent of the people living in dwelling units had an occupancy ratio of more than 1.50 persons per room, and 11 percent occupy quarters at a rate of more than 2.50 persons per room. The situation is even worse for individuals in non-dwelling unit living quarters, 37 percent of whom average more than 1.50 persons per room, and 21 percent of whom average more than 2.50 persons per room. In 1940, only 9 percent of the households in the area had an occupancy ratio of more than 1.50 persons per room, but by 1956, 15 percent of the households were to be found in this category. While the comparison is not exact, because of differences in the data, the dimension of the deterioration in occupancy standards is obvious.

Summary

The area today, as it has been in the past, is marked by many contrasts. Luxurious apartment houses are to be found directly around the corner from converted brownstones, each of whose rooms houses a family. Many of the buildings are structurally sound, but the dwelling space is poorly arranged, land coverage high, and maintenance poor. The population is extremely varied in economic and social composition, constituting several distinct sub-groups. The area itself is conveniently located and is surrounded by a great number and variety of business and public establishments. It is obvious that the area has many pressing problems, but it also has many valuable assets. The problem of urban renewal is to make maximum use of the existing physical and social assets in the resolution of these problems.

Chapter III.

TYPES AND PLACES OF RESIDENCE OF PROPERTY OWNERS

The distribution of ownership is of particular significance to renewal plans because different types of owners often have different interests and therefore pursue different investment policies. Speculative activity, for example, is found more commonly among individual owners than among estates or financial institutions. Or, again, the facility with which a transaction may be effected, the ease and rapidity with which a parcel may be bought or sold for speculative purposes, is in some measure determined by the legal and economic structure of the entity in which title is vested. Knowledge of the kind of ownership that predominates in an area is frequently knowledge of the kind of real estate activity that prevails.

Trends in Types of Ownership

Property owners of the study area have been classified into six groups: (1) single individuals (including joint ownership by husband and wife); (2) two or more individuals (usually a partnership); (3) realty corporations; (4) financial institutions; (5) non-financial institutions; and (6) estates. [4] Classification of the owner is in each instance based on the legal entity named as title holder in the official records. This method is not without limitation, of course, since in many instances the holder of record is a legal fiction. Very frequently individuals incorporate their holdings in order to acquire a tax advantage or to limit personal liability while retaining effective control of the property. In this study no attempt was made to distinguish between realty corporations that are essentially small individual or family enterprises from those concerns that are large holders of property on the West Side or elsewhere. Despite this drawback, however, the method employed is probably the most useful for the purpose at hand.

The data, drawn from a variety of sources, such as the Office of the City Registers, files of the Real Estate Board of New York, *The Real Estate*

4. cf. Grebler, Leo, *Housing Market Behavior in a Declining* Area (New York: Columbia University Press, 1952) VIII, 96-97. This system of classification is virtually identical with that used by Dr. Grebler in his extensive study of the Lower East Side of Manhattan. It has been adopted for the present study because the categories of classification employed are felt to be entirely appropriate for analysis of the West Side area, and because consistency in the use of such groups both in this and in other studies will facilitate future inter-area comparisons. For a statement of the problems involved in classifying owners by type, see Grebler, Appendix 1, pp. 214-218.

Directory, The Real Estate Record and Guide published by the F. W. Dodge Corporation, and others, were collected for two benchmark dates, January 1, 1945, and January 1, 1956. The first date was selected because it marks approximately the beginning of the shift in the area's population composition. The second was selected because it most nearly coincides with the inception of this study and therefore yields for comparison with the earlier data the most current information obtainable from organized records.

Between 1945 and 1956 there were substantial shifts in the distribution of types of property owners in the West Side Study Area (see Table 2). The holdings of realty corporations rose from 25 to 33 percent of the total, while two or more individuals increased their holdings from 11 to 18 percent of the total. Individual owners, by far the most important single group, declined slightly; in 1945 they owned 46 percent of all the property in the

TABLE 2

CHANGE IN TYPES OF OWNERS OF PROPERTY IN WEST SIDE STUDY AREA AS OF JANUARY 1, 1956, AND JANUARY 1. 1945

Type of Owner	Owners as of Jan. 1, 1956		Owners as of Jan. 1, 1945	
	No.	% Dist	No.	% Dist.
Individual	464	41.9	508	45.8
Two or More Individuals	203	18.3	118	10.6
Realty Corporation	369	33.3	282	25.4
Financial Institution	2	.2	28	2.5
Non-Financial Institution	40	3.6	45	4.1
Estates	30	2.7	129	11.6
Total	1108a	100.0	1110	100.0

a. Excluding three vacant parcels

area as against 42 percent in 1956. The aggregate holdings of institutions and estates shrank to virtually insignificant proportions by 1956, declining from 18 percent in 1945 to 7 percent in the later year. The holdings of non-financial institutions contracted but slightly, and financial institutions were undoubtedly liquidating property acquired through foreclosure. The marked decline in the holdings of estates, however, is a clear index of the attitudes of long-term investors.

For brownstone houses of all types, but particularly for those used as rooming houses, the tendency has been away from ownership by individuals, institutions and estates and toward ownership by realty corporations and partnerships. During the eleven-year period, the number of brownstone properties held by estates declined from 75 to 7, and those held by financial institutions dropped from 15 to zero. Similarly, estates contracted their holdings of old-law tenements (walk-ups) from 46 properties in 1945 to 23 in 1956. For further details, see Appendix Tables A-10 and 11.

When the classification of owners is further analyzed according to the kind of structure held in ownership, the change observed for the area as a whole becomes even more apparent. Holdings by individuals, estates, and institutions have been considerably reduced since 1945, the reduction in some instances amounting to a complete disposal of certain classes of holdings.

Places of Residence of Owners

Absentee ownership has commonly been associated with the exploitation of the land and indifference to tenants. The popular image of the absentee landlord as a wealthy aristocrat indulging himself at the expense of impoverished tenants has its origin in an agrarian tradition, and in recent times has frequently been translated into urban terms and applied to the big city slum owner. But very often the application of this image to the owner of urban property is less than justified. Many of the residential structures best maintained and most humanely operated are in the hands of those estates and absentee individuals more interested in recurrent income than a quick dollar turnover. Conversely, some of the structures most offensive in such matters are in the ownership of persons resident on the premises or in the general vicinity. A common instance of the latter is the slum dweller who somehow acquires a multi-family structure, and then makes the property also his place of residence to lower his own rent, avoid management expense, and keep operating costs as low as possible. Resident ownership of this type is frequently more deleterious to the tenants and to the property than is the absentee ownership of a long-term investor.

But despite this caution, data disclosing the places of residence maintained by property owners have a special relevance in the case of urban renewal sites. Any attempt to maximize the use of existing buildings by means of conservation or rehabilitation activities requires the cooperation, preferably voluntary, of those owners whose structures will be involved, and data of this type suggest the degree of cooperation to be expected. Experience shows that when his residence is on or near his holdings, there is greater likelihood that the owner will be sensitive to neighborhood pressures and concerned with the future of the area. Information as to each owner's residence can therefore be of great assistance to renewal planning.[5]

To determine what measure of cooperation may be expected from owners of property in the Study Area, the residences of owners have been classified into five geographical categories. These groups include, first, those owners with residence on the property owned; second, those with residence in the larger section of Manhattan's West Side, lying west of Central Park or Eighth Avenue and between 59th and 125th Streets; third, those with residence in sections of Manhattan other than the West Side; fourth, those with residence in districts of the New York metropolitan area other than Manhattan; and fifth, those with residence in places other than the New York metropolitan area. A special effort was made, with considerable success, to discover the actual address of the principal rather than the address of record, which is frequently that of an attorney or other agent.

When compared with similar data for 1945, this classification indicates that a movement away from owner-occupancy of property has apparently been taking place (see Table 3). In the earlier year, some 36 percent of the landlords in the area resided on the premises of their holding, another 19 percent lived elsewhere on the West Side, and 37 percent, or more than one-third, in other areas of Manhattan. But by 1956, the proportion of owner-occupants had fallen to 28 percent, and the remaining 72 percent were distributed almost equally among the other three New York areas. Over the eleven-year period, then, the location of owners' residences appears to have been moving away from the Study Area and the immediate district and into the outlying areas.

When this tendency is examined in connection with each type of structure, some very significant changes become apparent, particularly in the case of the brownstone houses. Between 1945 and 1956, the proportion of instances in which brownstones were occupied by the owner fell from 37 to 20 percent for multi-family structures; from 45 to 35 percent for rooming houses; and from 60 to 51 percent for one and two-family structures. Further details on this shift are presented in the Appendix, Tables 12 and 13.

5. This factor was found to be of particular importance in the Philadalphia Leadership Program, which is part of the renewal effort in that city.

Table 3

Places of Residence of Owners of All Property in West Side Study Area as of January 1, 1956, and January 1, 1945

Place of Residence	Owners as of Jan. 1. 1956		Owners as of Jan. 1, 1945	
	No.	% Dist.	No.	% Dist.
Same Address	310	27.9	399	36.0
West Side	279	25.1	212	19.1
Other Areas in Manhattan	261	23.5	367	33.1
New York Metropolitan Area Outside of Manhattan	252	22.7	119	10.7
All Other Areas	8	0.7	13	1.2
Total	1,110	100.0	1,110	100.0

Chapter IV.

REAL ESTATE MARKET ACTIVITY

The volume of real estate transfers studied over a period of time provides a very useful measure of market activity. During a business depression, a decline in activity or a persistence of low volume merely attests to a market paralysis in keeping with general business conditions. In a less oppressive economic atmosphere, however, low turnover is usually associated with high stability, and property ownership with interests in long-term investment objectives rather than in short-term speculative profits. A built-up area in which property transactions occur in excessive volume is often one characterized by a transition in the use of the land or in the characteristics of the resident population. It is during such an unstable period that a variety of buyers with an eye to capital appreciation is attracted to the area. In view of the prevailing uncertainty, they seek a quick return of their capital rather than normal investment returns. The result is a flux in both price and volume.

Ownership characteristics and investment motivations cannot, of course, be read directly from trends in real estate activity, but the volume of transactions nevertheless does provide an important indication of the market tone of the area at a given period. A study was therefore undertaken of the volume of transactions recorded for the twenty-block area between 1938 and 1955. To insure maximum accuracy in the representation of market activity, only bonafide transfers of title have been included in the analysis. All conveyances undertaken to clear title or to change the form of ownership without altering the interests of the principals have been excluded.

In the course of this period there was an irregular, but distinctly upward, movement of real estate tranfers. Between 1938 and 1943 the level of activity fluctuated narrowly around 50 transfers per year, or approximately 4 percent of the property in the area. In 1944, activity doubled to more than 100 transactions, and in the succeeding two years, 1945 and 1946, increased further to 125 and 149, respectively. This sharp three-year ascent from a plateau of several years' duration coincided with the strong revival in real estate activity both in Manhattan and in the United States generally.

After 1946, market activity in Manhattan subsided gradually from the previous peak and has remained at a fairly stable level. In the Study Area, however, the corresponding decline was interrupted by a secondary but important peak in 1950 and 1951. Transactions carried out these two years numbered 120 and 127 per year, in contrast to an average of 95 annually in the preceding three years and 100 annually in the succeeding four-year period ending in 1955. In other words, while real estate activity in the borough as a whole attained a measure of stability during the years immediately following World War II, the volume of transactions in the Study Area again swelled to boom proportions. Population statistics indicate that the high market activity of recent years was accompanied by an acceleration in the population change in the area (see Table 4).

TABLE 4.

ANNUAL NUMBER INDEX, AND RATE OF PROPERTY CONVEYANCES
WEST SIDE STUDY AREA AND MANHATTAN, 1938 TO 1955

(INDEX 1938 TO 1955 = 100.0)

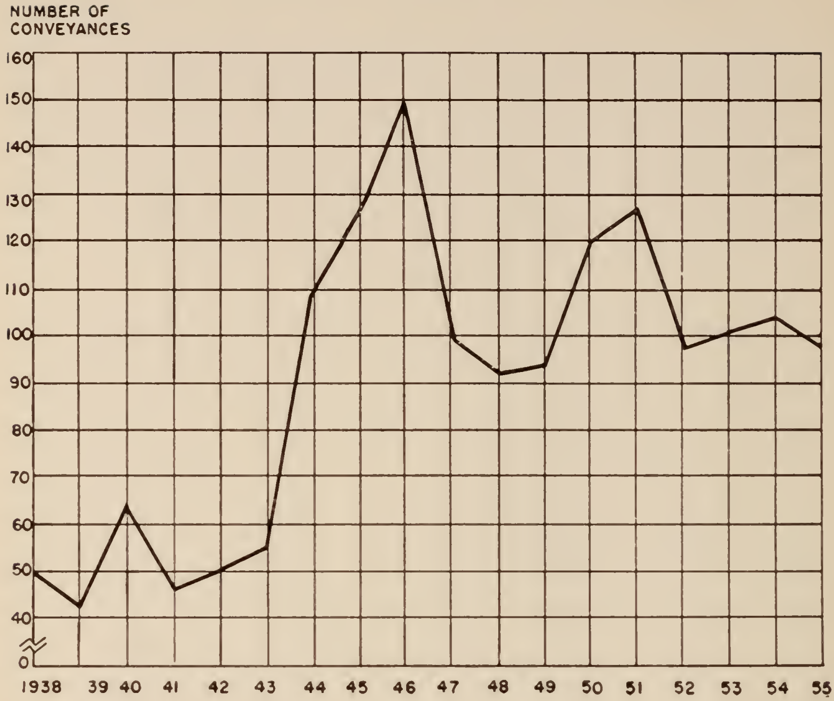
	West Side Study Area			Manhattan		
Year	Number	Index	Rate*	Number	Index	Rate*
1938	49	54.4	4.4	2,281	63.8	3.5
1939	42	46.7	3.8	2,654	74.3	4.1
1940	63	70.0	5.7	2,549	71.3	3.9
1941	46	51.1	4.1	2,704	75.7	4.2
1942	50	55.6	4.5	2,340	65.5	3.6
1943	55	61.1	4.9	3,473	97.2	5.4
1944	108	120.0	9.7	4,957	138.7	7.6
1945	125	138.9	11.2	5,852	163.8	9.0
1946	149	165.6	13.4	7,793	218.1	12.0
1947	99	110.0	8.9	4,179	116.9	6.4
1948	92	102.2	8.3	3,673	102.8	5.7
1949	94	104.4	8.4	2,891	80.9	4.5
1950	120	133.3	10.8	3,439	96.2	5.3
1951	127	141.1	11.4	3,239	90.6	5.0
1952	97	107.8	8.7	3,171	88.7	4.9
1953	101	112.2	9.1	2,869	80.3	4.4
1954	104	115.6	9.3	2,886	80.8	4.5
1955	98	108.9	8.8	3,375	94.4	5.2
Annual Average	90	100.0	8.1	3,574	100.0	5.6

* Rate equals total conveyances times 100 divided by total parcels

Frequency of Conveyance

Another method of measuring transactions is to examine the frequency with which property changed hands. Bonafide changes of ownership re-

NUMBER OF BONA FIDE CONVEYANCES
WEST SIDE STUDY AREA · 1938-1955



corded for the 1,113 properties in the Study Area totaled 1,619, yielding an average of 1.45 transactions per property between 1938 and 1955. Thus, on the average, property changed hands a little more frequently than every twelve years.[6] For Manhattan as a whole in the period 1938 to 1955, improved parcels were sold, on the average, once every eighteen years. The real estate market in the West Side Study Area thus appears to have been 50 percent more active than in Manhattan as a whole.

On the West Side, the range in turnover per parcel was quite wide. A substantial proportion of the properties - 26 percent - did not change

6. An interesting parallel is supplied by the market activity experienced in Manhattan's Lower East Side during the first half of this century, when properties turned over once every eleven years on the average. Although, significantly, each district is a declining area, the comparison is qualified, of course, by dissimilarities in the length of the periods for which data were collected in either case, and in the economic environment that prevailed during these respective periods. See Leo Grebler, *Housing Market Behavior in a Declining Area,* Columbia University Press, 1952.

hands at all, and almost 30 percent experienced only one change of ownership. In contrast, some 25 percent of the total were involved in three or more transactions, and a small number of properties were traded at least seven times in a period of less than two decades.

Variation in the frequency of turnover was observed among the several types of property. Old-law walk-up tenements experienced the lowest rate, with an average of 0.97 conveyances per building. A higher average is presented both by the brownstone houses used for apartment purposes and the elevator-equipped tenements completed before 1929 as well as the non-residential properties, each type showing, on the average, an excess of two changes of ownership for the period. A high rate of turnover is also indicated for the many brownstones used as rooming houses — 1.67 transfers per building as against 1.45 for the area as a whole. More brownstone rooming houses changed hands than any other types of property. In the former group 80 percent of the properties were sold at least once, while in the latter, only 70 percent were traded. The particularly high rate indicated for elevator tenements may represent anticipation on the part of buyers that existing rent laws will be abrogated or modified, and possibly, concern on the part of owners that in an area undergoing rapid change the market position of high rent properties may deteriorate (see Table 5).

TABLE 5.

NUMBER AND RATE OF CONVEYANCE BY TYPE OF PROPERTY, 1938-1955

Type of Property	No. of Conveyances	No. of Properties	Conveyances per Property
Old-Law Tenement (Walk-Up)	258	267	.97
Old-Law Tenement (Single Room occupancy)	36	37	.97
New-Law Tenement (Walk-Up)	8	4	2.00
Brownstone, one and two family	94	79	1.19
Brownstone, multi-family	342	158	2.16
Brownstone, rooming house	710	428	1.66
Old-Law Tenement with elevator	26	14	1.86
New-Law Tenement with elevator	61	28	2.18
Post 1929 Elevator Building	26	22	1.18
Non-Residential Structure	58	71	2.82
Total	1,619	1,108	1.46

Duration of Ownership

How long have the present owners of property held title? Data on this question complements the information on the frequency of turnover. The distinction between these two related concepts — *frequency of turnover* and *duration of ownership* — may be clarified by an illustration. Assume that two properties have each been transferred three times in the course of twelve years. Both would show the same frequency of turnover, a rate of .25 transfers per year or one every four years. But they would not necessarily show the same duration of ownership. In the case of the one property all three transfers might have taken place in the initial year of the period, and the present owner would then have been in possession for eleven years. In the case of the other property the most recent of the three transfers might have occurred on the final day of the designated period, and the present owner would then have been in possession for less than a day. For the first property, the duration of ownership would therefore be eleven years; for the second, a mere matter of hours. Whereas frequency of turnover reflects real estate activity over a stated period of time, duration of present ownership contributes to an understanding of the characteristics of investors.

Comparing length of ownership as of January 1, 1945, with similar data eleven years later, we find that there has been a decrease in the duration of holdings. In the former year, 50 percent of all holders were in possession nine or more years, while by 1956, the median declined to seven years. Brownstones with one or two dwelling units showed a median ownership of thirteen years in 1945, contrasted with eight years in 1956. The other type of brownstones also declined from median ownership of eight to nine years to holdings from five to six years in duration. Among elevator apartments, there appears to have been a trend toward longer ownership. Buildings of this type constructed prior to 1929 had been held on the average (median) for four years by their owners in 1945, while in 1956, median owners were in possession between five and seven years. There has been virtually no change in the length of ownership of old-law tenements or non-residential structures.

Since information concerning the length of ownership at a given date involves, so to speak, a glance into the past, the trend attributed to the Study Area must be interpreted in the light of real estate history leading up to 1945 and 1956, respectively. It is likely, for one thing, that property holdings in the decade or so preceding 1945 were even less speculative in character than would seem indicated by either the slow rate of turnover or the longer duration of ownership corresponding to that period. Throughout the depression era foreclosure played a prominent part in the exchange of property, with the result that the duration of ownership, as reflected in data for 1945, was in many instances curtailed prematurely by involuntary transfers from individuals and realty corporations actually interested in long-term objectives. Pointing up the investment interests of the era's proprietorship, perhaps, is the fact that as late as 1945, more than 30 percent of the holdings in the area had been acquired before 1930. The decline in revenue, undoubtedly suffered by other acquisitions made prior to the depression years, probably persuaded the owners to liquidate at an earlier date in order to preserve their capital or else to supplement their cash holdings in view of the deflationary trend. The prolonged market lethargy, on the other hand, may have compelled many owners in similar circumstances to retain their holdings for a somewhat longer period, the ultimate transactions in the late 1930's or the early 1940's providing a record of brief ownership that could be misleading if not appropriately discounted (see Table 6).

Conclusions

Despite all of the qualifications presented in the foregoing sections, the data on trends in property transfer, the frequency with which properties exchanged hands and the duration of holdings all appear to indicate that a more than average activity has characterized this area for the past decade. The increase in activity is all the more striking because of the absence of new construction. It appears to be largely the result of changing expectations of rapid capital appreciation or of augmented incomes resulting from the changing use of existing structures.

TABLE 6.

YEAR OF ACQUISITION OF ALL PROPERTY IN THE WEST SIDE STUDY AREA AS OF JANUARY 1, 1956, AND JANUARY 1, 1945

	Owners as of Jan. 1, 1956			Owners as of Jan. 1, 1945	
Year of Acquis.	No. of Properties	% Dist.	Year of Acquis.	No. of Properties	% Dist.
1955	136	12.2	1944	135	12.5
1954	90	8.0	1943	84	7.8
1953	53	4.6	1942	75	7.0
1952	69	6.1	1941	62	5.8
1951	74	6.6	1940	64	5.9
1946-50	286	26.0	1935-39	192	17.8
1941-45	169	15.2	1930-34	163	15.2
Prior to 1941	236	21.3	Prior to 1930	301	28.2
Total	1,113	100.0		1,076	100.0

Chapter V

REAL ESTATE PRICES AND ASSESSED VALUES

This chapter is devoted to an examination of real estate values and prices in the Study Area. Consideration is given to trends in value, differences among various types of property, the distribution of property values throughout the area, and the fiscal implications of the changes in real estate values. Data which constitute the basis for the discussion are the property valuations against which real estate taxes are assessed. Changes in assessed valuation may occur because of a variety of reasons; these may be due to new construction or to new investment in the existing structures, exemptions, demolition, revisions in assessment techniques and procedures, and fluctuations in the market price of real estate. As the result of a time lag that often occurs in the valuation of a property for tax purposes, fluctuations in market price of the property in the area are measured by a special price index constructed for this purpose.

Total Assessments, 1926 - 1956

In the tax years of 1955-56, the assessed value of real estate in the twenty-block area amounted to $72.5 million, an increase of only eight percent since 1926.

In broad outline the thirty-year history of assessed values for properties of all types, taxable and tax-exempt, shows an almost perpendicular ascent to an all-time peak in the early 1930's followed by a long decline to the end of the war. There then ensued an almost imperceptible rise to what appears to be a new plateau extending through the present year (see Table 7). During the first period, 1926-1931, the total assessed value of the area increased by almost one-half, reflecting both the general upward revaluation of real estate throughout the City, and new construction. By 1931 the total assessed value of the area reached a record high of almost $100 million.

From 1931 to 1936, however, the pressures of the Great Depression forced assessments down to a total $78 million. During these years vacancies appeared in growing number, rents fell off drastically, and the consequent inability of many owners to meet their mortgage obligations resulted in many foreclosures. The real estate sales lapsed into a condition of near-paralysis, and the prevailing decline, both in the volume of transactions and in the net return yielded by properties, brought about a severe contraction of market prices. Judged by the standards of the market alone,

Table 7

Total Assessed Value, West Side Study Area 1926 to 1955-56

(Amounts in $000)

Year	Total	Percent Change
1926	$67,078.7	——
1931	99,062.1	+47.6
1936	78,603.6	−20.7
1940-1	74,208.7	− 5.6
1945-6	68,634.6	− 7.7
1950-1	72,124.3	+ 5.0
1955-6	72,521.9	+ 0.5

the high level at which properties were assessed in this period, though substantially lower than at the close of the boom years, does not appear to have been justified. In the late 1930's, for example, market values as indicated by bonafide transactions, were 40 percent below corresponding assesssed values. It should be understood, however, that the City faced a serious fiscal problem. For with the depression came new responsibilities and, therefore, new expenditures for the City, so that it became manifestly impossible to adjust the real estate base, from which a major portion of the City's revenues were derived, to a level commensurate with lower market values. Moreover, it has always been a practice of New York City tax assessors to lag behind the current market, which means that properties which were overassessed in the '30's had been typically under-assessed in the '20's.

From 1936 to 1946, total assessments for the area continued to drift downward, but at a much reduced rate, the ten-year period showing a decline of only 13 percent in contrast to a drop of 21 percent in the preceding five years. The moderate rise that marked the ensuing decade, the post-war years of 1946 to 1956, reflected a number of mixed trends. Offset by only a negligible amount of new construction, the continued depreciation of the existing stock insured a decline in basic values. But this decline, in turn, was more than countered by the partial recognition given in assessment practices to the general rise in market values, with the result that total assessments in 1956 showed, on balance, a six percent increase over the level of 1946. Virtually all of this increase, however, occurred during the first five-year period (see Table A-14).

Assessments of Identical Properties

Changes in the use of the land, extensive alterations, conversions, even building additions and withdrawals, may affect the size of the aggregate assessments. In order to isolate changes in real estate value as such, those parcels that had undergone substantial structural alteration were withdrawn from consideration. The remaining properties provided for comparison with the aggregate of taxable properties an identical group of residential parcels in which so little alteration had occurred during the period under study that the original identity of use was retained. There was little possibility, of course, that in such a group the constancy of every property would be perfectly preserved throughout the period. Some of the structures included had experienced a change of use without the substantial physical alteration that would have eliminated them from the group. Others had undergone structural changes of which no official record had been made and for which no satisfactory date could be established by subsequent inspection.

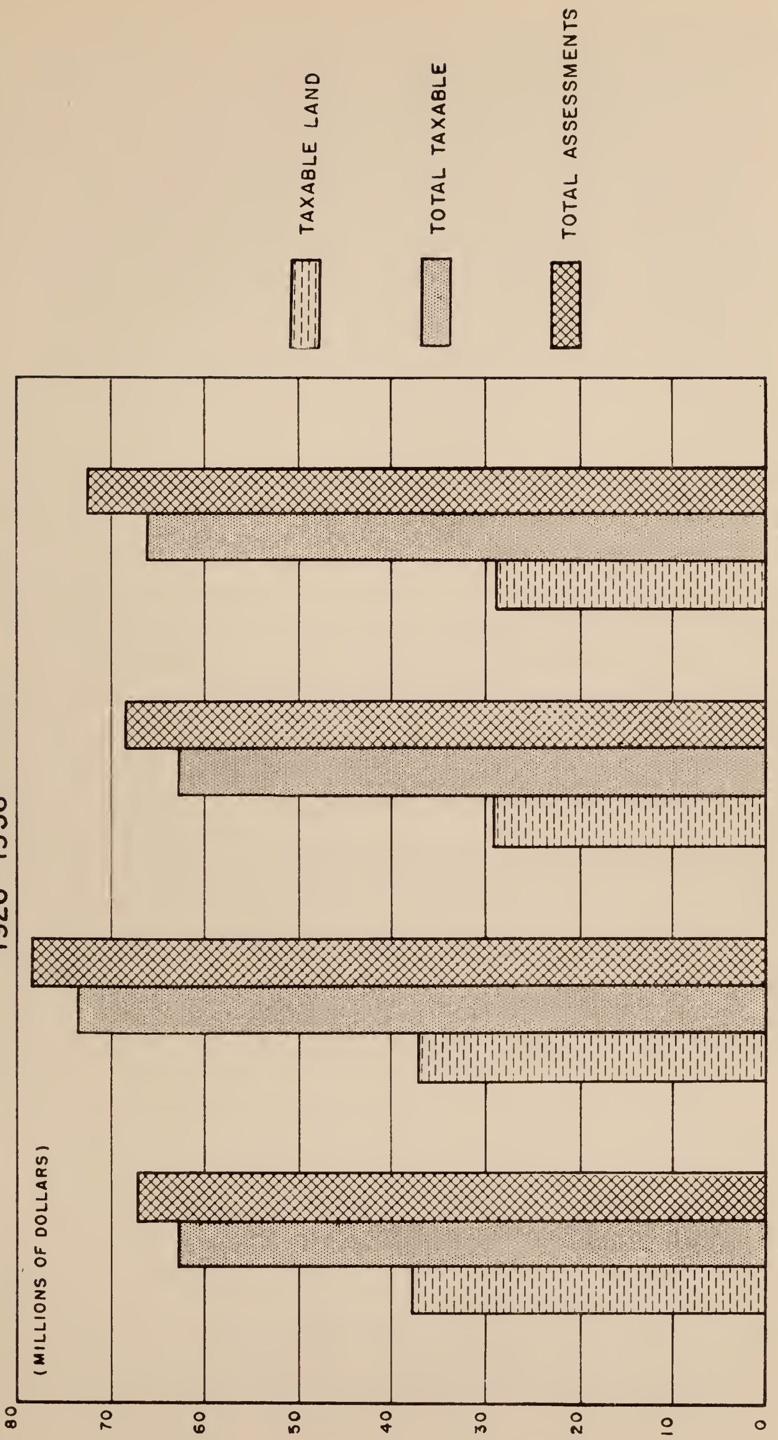
Comparison of data shows that over the period 1926-1956, changes in the assessed value of identical properties conformed broadly to changes in the taxable assessment of the area as a whole (see Table 8). During the initial period 1926-1936 the assessed value of the identical group increased by 14 percent and the taxable assessment of the entire area by 18 percent. In both instances the assessment took cognizance of the price rise of the late 1920's but not, in appreciable measure, the price decline of the early 1930's. The differential of 3 percent between the identical group and the entire area may be largely attributed to net additions made to the general building

TABLE 8

CHANGES IN ASSESSED VALUE OF IDENTICAL PROPERTIES AND TAXABLE ASSESSMENTS, WEST SIDE STUDY AREA, 1926 TO 1955—56

	Identical Properties		Total Assessments	
Year	Index	Percent Change	Index	Percent Change
1926	100.0	—	100.0	—
1936	114.6	+14.6	118.0	+18.0
1945-6	89.6	—21.8	99.9	—15.3
1955-6	100.6	+12.2	105.4	+ 5.5

ASSESSED VALUES · WEST SIDE STUDY AREA - TOTAL, TAXABLE; AND LAND
1926 - 1956



stock while the group of identical properties of course remained constant in number. Between 1936 and 1946, a belated adjustment to reduced market values resulted in a 20 percent drop in the assessment of identical properties, in contrast with a 15 percent decline in the assessment of the area as a whole. By 1956, however, identical properties increased in assessed value by 11 percent, while the entire area, which previously had declined less, now increased by only 5 percent. As a result, the identical group of properties that had shown little physical change other than depreciation stood at approximately the same level of assessed value both at the beginning and at the end of the thirty-year period. whereas the area as a whole, in which properties changed both in use and in number, stood at a level approximately 5 percent higher in 1956 than in 1926.

Comparison with Manhattan Assessments

In 1955-56, 87¢ out of every $100 of taxable real estate on Manhattan island was located in the twenty-block area. The assessed values in the area represent slightly more than its proportion of the land area of Manhattan (0.75 percent), a comparison that is all the more striking by virtue of the fact that the most expensive real estate is concentrated in the central district of New York City, the area south of 60th Street. Compared with the residential stock, however, the Study Area contains 2.2 percent of the dwelling units on Manhattan, and accounts for 2.3 percent of the taxable assessed value of residential real estate. Thus, on a dwelling unit basis, the area contributes in assessed values roughly 20 percent more than would be expected from a comparison of its size with that of its representation in Manhattan.

In the past decade, the proportion of taxable assessments has tended to drift downward. From .93 percent in 1926, the ratio stood at .99 percent in 1931 and continued at approximately that level until the end of World War II. Between 1945-6 and 1955-6, the proportion of Manhattan assessments has declined from .98 percent to .87 percent. Thus, in the last year of record, the proportion of taxable assessments stood 13 percent below the peak reached during the pre-war years (see Table A-15).

The decline in the ratio in recent years must be interpreted with caution. The West Side Study Area was completely built up in the early years of the century, while there was some building on vacant land in Manhattan during the '30's. Improvements involving a higher land use were of course more frequent in other sections of Manhattan than on the West Side, particularly during the post-World War II period, when office building construction in the central district reached boom proportions. On the other hand, there was little doubt that some of the decline in the ratio is undoubtedly due to the relative deterioration of the West Side area.

Real Estate Tax Revenues

Between the thirty-year period 1926 to 1956, the City of New York levied between $1.7 and $2.6 million in annual real estate taxes on property located in the Study Area. The tax levy is the product of taxable assessments and the tax rate, but the collection in any given year will vary from the total tax obligation because of current delinquency, satisfaction of past arrearage or subsequent reductions in individual assessments granted on appeal.

The real estate tax levied on the area rose from $1.7 million in 1926 to $2.5 million in 1931, entirely as a result of an increase in the aggregate taxable assessments for the area, for the tax rate changed little during that period. Considering the widespread tax delinquency, it is doubtful whether the City collected the full amount of the impost for the later year.

From 1931 to 1946, the taxable assessed value of the area declined steadily, dipping some 21 percent during the first few years and then easing away less abruptly thereafter. By 1946, the decline had erased the entire rise of 1926-1931, and the taxable assessed value stood at $62,707,000, approximately the same as for 1926. But the tax rate, stable through 1936, began in 1941 a long upward trend. In 1936, however, it stood at 2.70, a fraction lower than in the previous decade, and, charged against the severely contrasted assessed value of that year, provided a tax levy 20 percent lower than in 1931. From 1936 on, however, with the notable exception of 1946, an ascending tax rate served to maintain the tax levy at above the $2,000,000 mark, even though taxable assessments remained depressed. During the post-war years of 1946-1956, when the downward movement of the taxable assessed value finally gave way to a moderate upturn, the tax rate was raised to still higher levels, with the result that in 1956, the tax obligation stood at the highest point for the three decades.

If the atypical 1926-1931 period is removed from consideration, the remaining twenty-five year span, when reviewed in broad perspective, shows a declining taxable assessed value and an ascending tax rate joining to produce a comparatively stable tax levy. In 1955-56, the final benchmark date, the taxable property of the area was valued at $66,183,700, a drop of $27,267,000, or 29.2 percent, from 1931. Charged against this amount was the Manhattan tax rate of $3.94 per $100 value, an increase of 45 percent over the rate for 1931. Since the decline in the taxable assessment was compensated by a rise in the tax rate, the record tax levy for 1956 proved only a shade higher than the obligation for 1931. It is apparent, then, at least with regard to the Study Area, that following 1931 the fiscal dilemma faced by the City in the form of a rising need for revenues and a declining tax base from which to obtain them was escaped in some measure by progressively advancing the tax rate charged against the base and thus supporting the general level of the impost.

It is obvious that a constant property tax levy during the period in which general price levels rise means an ever-widening gap between municipal revenues and expenditures. This is true even under circumstances in which the municipality strives to maintain a constant level of services. During a period, however, in which governmental obligations increase and the City assumes ever-widening responsibilities for the resident population, the gap between constant revenues and expenditures expands at an even faster rate.

In the Study Area the difference between revenues and expenditures has been accentuated by the marked rise in the resident population. If an estimate of expenditures is derived by multiplying per capita municipal costs by the number of persons, it is seen that expenditure on resident population increased 66 percent from the mid '30's to the mid '50's, while real estate taxes collected in the area increased by only 30 percent during that period. In New York City as a whole, real estate taxes collected rose 89 percent during that twenty-year period, while population increased only 14 percent.[7] The contrast is even more striking than the data themselves indicate. It is very likely that expenditures per capita in the West Side Study Area are above the average because of the high proportion of school children and the number of residents who are recipients of welfare payments.[8]

It is manifest that as assessed values and real estate tax revenues in blighted and slum areas decline, it becomes more and more difficult for

7. Data on per capita expenditures from Citizen's Budget Commission. Use of a per capita measure provides at the best a crude index because it oversimplifies many problems. Nevertheless, the wide contrast in the figures provides adequate confidence in the general point. It should be remembered that in addition to real estate taxes, sales and other imposts borne by the population of the area also contribute to municipal revenues.

8. In May, 1956, there were 1,553 families in the area who received some type of public assistance. This group contained 1,395 resident families, 106 classified as non-residents, and 52 families of veterans. In all, these families accounted for approximately nine percent of the families in the area, although for the City as a whole, the number of families on relief was three percent. Of the non-veteran resident families in the area who received public assistance, 12 percent were recipients of home relief, which is financed entirely from municipal funds. Of the remaining cases, financed by joint Federal and local contributions, 34 percent represented aid to dependent children; 43 percent, old-age assistance; 11 percent, aid to disabled; and less than one percent, aid to the blind. (Data provided by the New York City Department of Welfare.)

the municipality to maintain financial solvency. The problem is aggravated by the spread of such areas and becomes particularly acute when districts containing a high proportion of total assessed values are affected.

Trend in Property Prices

In order to obtain some measure of change in the price of real estate in the area, a relatively simple index was constructed. It was found that in 1950 the average ratio of consideration to assessed value was one for properties in the Study Area, and that there was but moderate variation around the average for the separate property types. For properties that were sold, the year in which each transaction occurred was noted and the consideration related to the assessed value of that property in 1950. Insofar as possible, structures which had been substantially altered were removed from the calculation. In this manner a time series was compiled for all properties and for selected property types which revealed the relationship between the consideration for a transaction in any given year to an estimate of its value in 1950. Frequency distributions for each year were prepared and the median ratio chosen to represent that year.[9]

The trend in prices during this period shows two distinct movements (see Table 9). From 1938 to 1943 there is a constant downward trend, starting at 64 and declining to 49.8. Since the 1943 low, prices have moved steadily upward to 1955, showing a more rapid movement between 1944 and 1947, when it reached 94.1, and rising at a slower rate to 114.0 in 1955. Thus, since the end of the war, property prices in the Study Area, on the average, have more than doubled.

Ratio of Consideration to Assessed Value

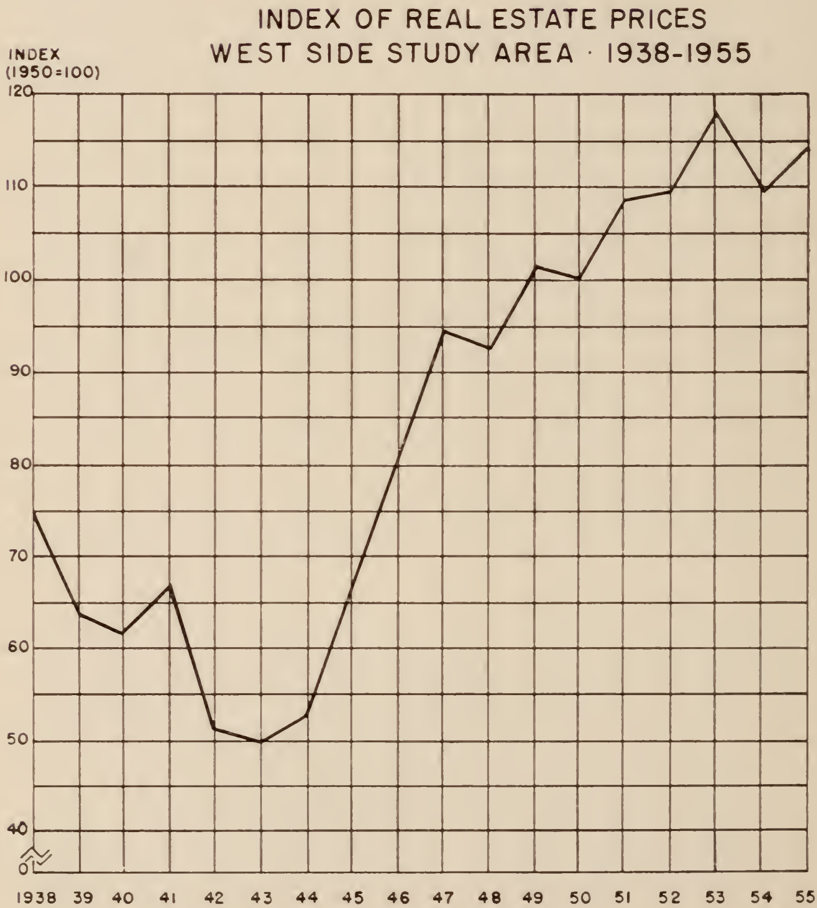
It is interesting to compare the actual behavior of market prices of properties on the West Side with their assessed values at the time of transfer. Appraisals for tax purposes constitute an independent estimate of value

9. An index of real estate prices is one of the most difficult of all economic measurements. In other commodities it is more or less possible to price an identical item periodically and thus observe changes in its price behavior. In the case of real estate, despite the enduring quality of the structure, the price of identical commodities over time is difficult to obtain. There is great variation even within similar types of property in regard to size, age, use, location, and other relevant factors. Since properties are transacted infrequently, the number of properties on which at least two prices can be obtained at different periods of time is meager. And even in these cases we do not know without the expenditure of considerable time and effort whether there has been any addition or structural alteration to the property and the extent of the value of these changes. Moreover, every property undergoes depreciation over time, and the precise amount of depreciation is virtually impossible to determine although there are rules of thumb which are used extensively for other purposes. These are but some of the complex problems that must be faced if an ideal price index for real property is to be developed.

Table 9

Index of Real Estate Prices, West Side Study Area (1950 = 100)

Year	Index	Year	Index	Year	Index
1955	114.0	1949	101.1	1943	49.8
1954	109.2	1948	92.4	1942	51.4
1953	117.7	1947	94.1	1941	66.5
1952	109.3	1946	79.7	1940	61.4
1951	108.3	1945	65.8	1939	64.0
1950	100.0	1944	52.8	1938	74.9



based upon a combination of numerous factors, including, among other things, current market prices as well as objective measures of the long-term warranted value of the property. This comparison may also be used to gauge the extent to which appraisals for tax assessment purposes conform with values established in the market place.

Between 1938 and 1945, property prices on the West Side were consistently below assessed values. Fluctuating between 50 and 70 percent in the pre-World War II years, the ratio of market price to assessed values rose sharply with the onset of the war, increasing from 49.4 in 1941 to 102.1 in 1947. After a minor dip to 95.5 in 1948, the ratio increased consistently reaching 116.0 in 1953. In 1954, there was a drop back to 108.1, followed by two successive increases, bringing the ratio to 121.3 for transactions that occurred during the first half of 1956. In summary, then, it appears that market prices were between 60 and 70 percent of assessed value in the pre-war period and tended to equality in the post-war years up to 1950. Since then, the ratio has moved upward reaching a point at which prices are approximately 20 percent in excess of tax appraisals in 1956.

The trend in price assessment follows a similar pattern with a drop from 80 percent in 1938 to 63.7 percent in 1943. The ratio then rose sharply to 100.9 in 1947, dipped below 100 in the following three years, and during the period 1951 to 1955, moved consistently upward to 118.6 (see Table A-16).

The variation in price-assessment ratios by property type is considerable. Because there were insufficient numbers of transactions to calculate medians by years, the analysis for individual properties was limited to five-year averages (see Table A-17).

Between 1940 and 1956, the price-assessment ratios for old-law tenements were consistently below 100. During the war years, market prices for this type of property were approximately 65 percent of the assessed values. In the immediate post-war years, the ratio rose to 80 percent and then increased again between 1950 and 1954 to 91 percent. Between January 1, 1955, and June 30, 1956, the ratio dropped back a bit to 86 percent.

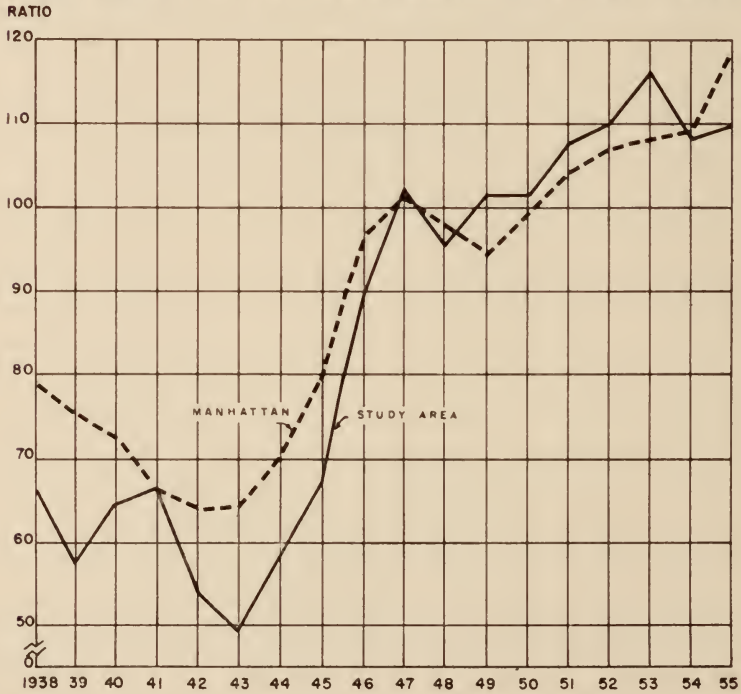
Brownstone structures containing one or two dwelling units revealed the greatest span of increase. Between 1940 and 1944, the median ratio was 43 percent, rising to 105 percent in 1945-1949, and increasing again to 110 percent during the five-year period 1950-1954.

Brownstone structures converted to apartment use showed a median consideration over assessed value ratio of 50 percent in 1940-1944, rising approximately to 100 in 1945-1949, and standing at 106 percent during 1950-1954.

Brownstone structures used as rooming houses again showed constant increases in the consideration over assessed value ratio, standing at approximately 60 percent during the period 1938 to 1944. This ratio rose to 89 percent in the five years following the close of the war, and then reached 116 percent for the period 1950 to 1956. Part of the increase in the ratio is due to the fact that furniture was added in the process of changing use of this type of structure to rooming house. The value of the furniture is not included in the assessed valuation, but does play a role in the market price.

The most moderate increases in consideration over assessed value ratio were found among elevator apartment houses. During the period 1940 to 1944, consideration over assessed value ratios for this type of structure had a median of 63 percent. In the five-year period following the war, the median rose to 85 percent, and in the ensuing five years, 1950 to 1954, stood at 104 percent.

CONSIDERATION AS A PERCENT OF ASSESSED VALUES IN YEARS OF PURCHASE
WEST SIDE STUDY AREA AND MANHATTAN · 1938 - 1955



It thus appears that in 1950 to 1954, the latest period for which comparable data are available for all types of structures, brownstone rooming houses were characterized by market prices 16 percent in excess of their assessed values while elevator apartment houses revealed market prices only 4 percent in excess of tax appraisals. This comparison indicates that brownstone rooming houses, which are the poorest maintained structures in the area are assessed well below market values, while the elevator apartment houses which are characterized by a high order of maintenance, are assessed at the market price. Although this difference in treatment is understandable in view of a possible reluctance on the part of the City to recognize the added market value of brownstone rooming houses that may result from over-occupancy, assessment practices, nevertheless, tend to favor owners who have not maintained their properties adequately.

Assessments by Type of Property

From an analysis of assessed values by type of structure, the most impressive single fact to emerge is that elevator buildings as a group account for more than one-half of the taxable assessed value of the area. This is of particular significance when one remembers that these buildings comprise only 6 percent of the residential properties in the area. Within this group, moreover, those apartment houses completed after 1929, though constituting only 2 percent of the total number of buildings, accounted for 31 percent of the taxable assessment of the area.

The contributions of other types of property were less spectacular. Second in importance were the brownstone houses, which provided 23.5 percent of the total. Of this group, those used as rooming houses contributed 13.8 percent, and those converted to apartment houses, 9.7 percent. The old-law tenements, most of which are still used for apartment rather than rooming house purposes, accounted for 20.4 percent of the total. Taxable non-residential structures provided an insignificant 5.5 percent.

These wide differences in the shares of total value of the several classes of structures are the result of differences in their number and average value. Insignificant in number but the most important in point of value, elevator-equipped buildings completed after 1929 had an average assessment of $935,000 in 1955-1956, in contrast to an average of $61,000 per taxable parcel for the area as a whole. Also few in number, the new-law elevator buildings of 1901-1929 were valued at an average of $398,000. On the other hand, brownstone houses that have been converted to single room occupancy which represent two out of five structures in the area reveal an average assessed value of $21.500.

Conversion of structures to other than the original use produced, in terms of assessed values, a different result for the brownstone houses than for the old-law walk-up tenements. Assessments of tenements converted to single-room occupancy differed only slightly from assessments of those still used for apartment purposes. Assessments of brownstones, however, have apparently been influenced significantly in instances of a similar departure from original use. The brownstones maintained as one or two-family houses average $18,000 per building. Only slightly higher, despite the large sizes and greater income, those used as rooming houses show an average value of $21,500. But by far the most highly assessed are those brownstones that have been converted into small multi-family apartment houses; they average $31,500 each, almost 50 percent higher than assessments for rooming houses. Multi-room apartment units offered by the typical brownstone apartment house are generally superior, of course, to single-room units offered by the brownstone rooming house; but they are also fewer in number. Neither difference in quality nor the slightly larger size nor the probable income derived therefrom would seem to merit a valuation so drastically in excess of that for rooming houses.

Of further interest are the divergent trends to be noted among the assessment histories of the various types of property. To provide a comparison of such trends, a constant group of properties for each class of structure was traced from 1926 to 1956 (see Table A-18). In all but three instances, substantial changes in assessed value were found to have occurred. Among these groups some of the most significant differences in trend were related to differences in use of basic structural types. In 1956 the old-law walk-up tenements with apartment accommodations were assessed at 12.5 percent less than in 1926,[10] whereas in contrast the tenements renting on a single room basis were assessed at 4.6 percent more than in the initial year of the period. In the brownstone category, those houses devoted to private and semi-private purposes and to rooming-house use experienced declines in assessed value of 16.9 and 12.5 percent respectively, while those devoted to apartment use in 1956 showed an increase of 16.1 percent over the 1926 value. Of the elevator structures, the old-law tenement buildings showed little change in value since 1926. In contrast, the assessments for

10. In the West Side Study Area, assessed values of identical old-law tenements in 1955-56 were 68 percent of their 1930 level. On the Lower East Side, assessments of identical structures of this type in 1955-56 were 90 percent of 1930. For 1930 Lower East Side data, see Grebler, op. cit. Data for 1955-56 were collected by the City Planning Commission staff from Tax Department records.

Table 10

Analysis of Assessed Value by Type of Property, West Side Study Area

Type of Property	Taxable* A.V. 1955-56 (000)	% of Taxable A. V.	No. of Props.	% of Props.	Average A. V.	Land Value per Sq. Ft. Plot Area	A. V per Sq. Ft. Plot Area	% of A. V.
Old-Law Tenement (walk-up)	$11,835	17.8	267	24.0	$44,300	$11.00	$16.50	87.5
Old--Law Tenement (single room occupancy)	1,729	2.6	37	3.3	46,700	8.10	16.40	104.6
New-Law Tenement (walk-up)	291	.4	4	.4	72,800	8.30	14.50	83.9
Brownstone, one and two family	1,430	2.2	79	7.1	18,100	5.80	9.30	83.1
Brownstone, multi-family	4,985	7.5	158	14.2	31,500	7.60	16.60	116.1
Brownstone, rooming house	9,159	13.8	428	38.5	21,500	7.10	11.70	87.5
Old-Law Tenement with Elevator	1,558	2.4	14	1.2	111,300	10.40	20.40	98.9
New-Law Tenement with Elevator	11,157	16.8	28	2.5	398,000	13.60	40.60	137.7
Post-1929 Elevator Building	20,571	31.0	22	2.0	935,000	15.70	66.30	86.7**
Non-Residential Structure and vacant***	3,681	5.5	76	6.8	136,000	9.40	19.90	96.0
Total	$66,396	100.0	1,113	100.0	$61,000	$9.80	$22.40	100.6

* Based on the assessed values of land plus improvements, exclusive of exempt property.

** Percent change from 1936.

*** Two vacant brownstones and three vacant lots.

new-law buildings of this class increased sharply, the 37.7 percent rise during the thirty-year period being the most extensive among all the groups studied. It was of course not possible to make a similar comparison with elevator structures built after 1929, but a constant group of these buildings examined for the period 1936-1956 showed a decline of 12.7 percent from 1936 values, closely paralleling, for that period, the trend of valuations in the area as a whole.

The Contribution of Land to Taxable Assessments

Land value as a proportion of taxable assessments in the area has shown a significant decline, interrupted only once in the entire period of 1926-1956. During the thirty years, the ratio of land value to taxable assessments decreased from 60 percent in 1926 to 44 percent in 1956. At the end of the three decades the relative value of land and improvements has been almost completely reversed, and this trend gives every evidence of continuing into the future (see Table 11).

TABLE 11

TAXABLE LAND AS A PERCENTAGE OF TAXABLE ASSESSMENTS, WEST SIDE STUDY AREA AND MANHATTAN, 1926 TO 1955-56

Year	West Side	Manhattan
1926	60.2	53.1
1931	59.9	57.8
1936	50.4	55.8
1940-1	57.6	54.9
1945-6	46.6	53.6
1950-1	45.3	50.8
1955 6	43.5	48.5

Since the taxable assessment for the Study Area for 1955-56 was about the same as in 1926 (see Table A-14), the decline in the relative share of land reflected a contraction in the absolute value at which the land was assessed. In 1926 the tax roll of the area showed about $37.8 million in taxable land, but by 1955-56, the figure had dwindled to $28.8 million, a drop that could be attributed only in small part to a concurrent increase in tax-exempt property. This decrease of the aggregate land value is even more remarkable in view of the substantial volume of luxury apartment construction that took place in the area between 1926 and 1932, enhancing the value of land in the course of upgrading the improvements.

For Manhattan as a whole the proportion of taxable land values to total taxable assessments has evinced a similar trend during the same thirty-year span, but the decline has been less severe. In 1926 land value provided 53 percent of the taxable assessment, and although in the interim it moved as high as 58 percent, the ratio thirty years later stood at 49 percent, only moderately above that for the twenty-block Study Area. That the disparity between the land-value ratio for Manhattan and the like ratio for the Study Area should be so small is of particular interest when we consider that a large portion of the borough is devoted to non-residential use and is therefore occupied by valuable improvements.

Although some of the decline in the level and proportion of land values both in Manhattan and in the West Side is a reaction to the over-optimistic expectation of past years, much of the land in the Study Area warrants a high assessment by virtue of its eminently favorable location.

Since land on Manhattan island is a scarce commodity it is interesting to observe the differences in assessed value per square foot of land occupied by different types of structures in the Study Area (see Table 10). For the area as a whole, assessed values, excluding improvements, were $9.80 per square foot and $22.40 including improvements. As one would expect, the assessed value of land depends on the location of the site and the type of improvement placed upon it. For brownstone houses, the assessed value of land ranged from $5.80 to $7.60 depending upon the use to which the brownstone was put. Old-law tenements average approximately $11 per square foot for land, while post-1901 elevator apartment buildings were located on land valued at $13.60 or $15.70 per square foot depending upon whether the building was constructed before or after 1929.

When total assessed value is taken per square foot of land, the variation is even greater. Brownstones of various types range in average value from $9.30 to $16.60, the latter figure also representing the average for old-law tenements used either as dwelling units or for rooming house purposes. Elevator apartment houses on the other hand were extremely high in average value compared with other types of structures. Old-law elevator buildings average $20.40 per square foot of land, new-law elevator buildings $40.60, and elevator buildings constructed after 1929 revealed the highest average of $66.30 per square foot of land. Thus, the tax yield to the city per square foot of land area was seven times as high for the modern elevator structure than for the brownstone containing one or two dwelling units.

Tax-Exempt Property

The fact that only a small proportion of its assessments is not subject to taxation marks the Study Area as an atypical sector of the Borough of Manhattan. Although the ratio of exempt assessments to total assessments has risen since 1926, the increase has been less pronounced than for the City as a whole and is currently much lower than for Manhattan generally (see Table 12). In 1926, only 6.4 percent of the area's assessments were exempted from taxation, while for Manhattan, the figure was more than three times as great, amounting to 22.6 percent. In the Study Area, the percentage of exemptions dipped slightly in 1931, maintained the same level during the next five years, rose rather abruptly between 1936 and 1950-51, at which time a peak of 9.1 percent was established, and then settled back, in 1955-56, to the present ratio of 8.7 percent, less than one-third as great as Manhattan's 29.1 percent for the same year. At the end of three decades, in other words, fully 91.3 percent of assessments in the Study Area were subject to taxation - and therefore contributed to municipal revenues - as contrasted to only 70.9 percent in Manhattan as a whole.

TABLE 12

ASSESSMENTS OF TAX-EXEMPT PROPERTIES AS A PERCENT OF TOTAL ASSESSMENTS, WEST SIDE STUDY AREA AND MANHATTAN, 1926 TO 1955-56

Year	West Side	Manhattan
1926	6.4	22.6
1931	5.7	22.2
1936	5.7	24.8
1940-1	6.6	25.6
1945-6	8.6	27.4
1950-1	9.1	27.8
1955-6	8.7	29.1

The area's high proportion of property subject to taxation reflects the fact that the district is devoted almost exclusively to private residential purposes. The few exempt properties include such fundamental community facilities as schools and churches, assessed altogether at $6,338,000 in 1955-1956. Of these properties, those owned by the City were valued at $3,255,000, or slightly more than half of all exempt assessments in the area. (Assessments of municipal property in Manhattan constitute

45.6 percent of exempt assessments.) A prominent example is the Joan of Arc Junior High School, with an assessed value of $2,200,000. Properties owned by churches consist mainly of houses of worship and church-affiliated schools, such as the First Baptist Church, assessed at $700,000, and Trinity School (Protestant - Episcopal), assessed at $725,000.

Distribution of Value by Block

Considering the diversity of the improvements in the area, it is not surprising to find that the total assessed value varies greatly from block to block. Data for 1955-56 show that total assessments per block, which include valuations of tax-exempt properties, ranged from $2.1 million to $6.2 million. Seven, or roughly one-third of the twenty blocks, were assessed at less than $3 million each, and an equal number were assessed at from $4 million to $5 million. The remaining six blocks, with the exception of the single instance at $6.2 million, showed values in the $3 million to $4 million class (see Table A-19).

If these data are adjusted to exclude tax-exempt properties, the resulting taxable assessed value per block shows an even broader range with upper and lower extremes of 1.7 million and $6.2 million respectively. This wider spread is of especial interest when contrasted with the range of values indicated for 1926, when the extremes stood at $1.3 million and $4.2 million, and more than half the block values were clustered in the $2.5 million to $3.5 million bracket. In other words, the thirty-year history of taxable assessed value per block has been characterized by a divergence of block values from the central tendency of 1926. Some of the typical blocks in 1926 have undergone a marked increase in value, and some a pronounced decline. Exempt properties have exercised only a minor influence on this trend.

Taxable property is unevenly distributed by street front. In 1955-56, more than one-fourth of all taxable property was located on Central Park West. The property on the east side of Amsterdam Avenue included in the Study Area was virtually equal in value to the property on *both* sides of Columbus Avenue. Variations in property values along the numbered streets reflect the type of improvement, amount of exempt property and the width of the street (see Table A-20).

Conclusion

From the foregoing discussion it is apparent that the twenty-block renewal area is an important component of the Manhattan real estate tax base, containing very little tax-exempt property and contributing almost one percent of all tax revenues derived from Manhattan property. It is also apparent, nonetheless, that in relation to revenues of the entire borough, the area's contribution, though still considerable, has become steadily smaller throughout the past fifteen years - a period in which the area has experienced a considerable rise both in the number and percentage of the population and, therefore. in attendant municipal expenses. Moreover, the character of the change in population has been such that the additional municipal expenditures incurred have exceeded those merely incident to an increase in the number of residents. The relatively low income per capita, large number of children per family among the low income groups[11], and different cultural origin of the immigrant population have probably necessitated above-average outlays for welfare services and payments, school facilities, fire and police protection, and other similar services. As in the case in many other areas of the City, it is apparent that the City's cost of maintaining this area is not matched by the tax revenues derived from the area's property.

Less than one-quarter of the tax burden assumed by the area is supported by the brownstone houses, although they occupy one-half of the total land area. More than half of the tax burden, in contrast, rests upon the area's comparatively few elevator apartment house buildings, although they occupy only one-fifth of the total land area. Structures of this type have a large share of the income (45 percent of aggregate income) and population (29 percent of the families) of the area, but they have shown no appreciable increase in the number of occupants during the critical years of the area's accelerated population growth. There is little doubt that these buildings will be retained in the renewal plan, although in the case of the older structures of this type, some minor rehabilitation may be required. The high quality and exceptional value of these elevator-equipped buildings would seem to assure success in the use of the remaining land — fully four-fifths of the total area — in such manner as to maintain at least the present level of tax revenues received from the Study Area.

Land values in the area are high and, in aggregate, land represents a high proportion of total real estate values, reflecting the district's favorable location in respect to business and entertainment centers, public parks, transportation facilities and other conveniences discussed in an earlier chapter. In some sectors of the City, high land values have been

11. Sixty percent of the area's 8,238 children under 14 years of age were in Puerto Rican families.

sustained by the possibility, real or imagined, that eventually the land will be used for ultra-expensive institutional, commercial, or industrial purposes. But the West Side is clearly residential in character and trend, and if land values are sustained by expectations, it is for higher residential rather than non-residential use. In view of the basic merits of the area, such expectations are not unreasonable. Thus, considering the value of the land, together with the high ratio of land value to the total value of the area, there is little doubt that much of the land is under-utilized and could indeed offer more efficient and productive services to the community.

Chapter VI

FINANCING THE PROPERTY PURCHASE

Every real estate market depends for its sustenance upon the flow and availability of mortgage credit. Because of the large value of the assets, very few structures, residential or non-residential, are purchased outright. Among the smaller types of investments involving the acquisition of single family structures, there is a particularly heavy dependence upon mortgage credit in over 90 percent of the cases. Because of the size and other physical characteristics of the asset, real estate constitutes eminently acceptable collateral for loans. Real property is immobile; it is impossible to conceal, and it tends to retain its value over long periods of time.

Compared with the mortgage structure in the single family owner occupancy market, the financing of multiple dwellings is complex. The single family dwelling is usually acquired as an item of consumption, and the availability of funds is largely contingent upon the income of the head of the household, with the house and the neighborhood given due consideration. In the case of a multiple family rental structure, the acquisition of property is undertaken for investment purposes, and here it is the stream of income that the property is expected to yield over the life of the mortgage that is of prime consideration to the lender. In declining or in transitional neighborhoods, the future stream of income is clouded with many risks and uncertainties. Institutional lenders, who are the guardians of other people's money, tend to establish more stringent loan requirements under these circumstances, and frequently become excessively cautious. As a result, transactions are financed in increasing volume through unorganized mortgage channels, and mortgaging becomes difficult and exceedingly complex. Perhaps the most important aspect of such a development is that the flow of new money declines to a trickle, making the replacement of worn out equipment more difficult and rehabilitation virtually impossible. Thus, such a turn of events frequently operates to accelerate the deterioration of an area, converting a decline into galloping decay.

The discussion of the problems of financing is divided into two sections. In this chapter data relating to the financing of property acquisition are presented, and in the next chapter the flow of funds into the area is described in terms of such factors as sources of mortgage money, types of loans, and interest rates; mortgage flow is analyzed regardless of whether the financing accompanies the transaction or occurs at some later date.

Ratio of Equity to Consideration

Since the end of World War II, there has been a decline in the proportion of purchase price financed by mortgage capital in the twenty-block Study Area of Manhattan's West Side. Between 1938 and 1944, equity represented approximately one-fourth of consideration, whereas in the past ten years, approximately 35 percent of the purchase price was provided, presumably in cash, by the purchaser.

In examining the distribution of equity to consideration for the 1938-1956 period it is seen that, in 5 percent of the cases, properties were acquired for all cash. Most of these involved the purchase of brownstone structures which are relatively low priced when contrasted with other buildings in the area. An initial acquisition of this order does not necessarily mean that the sponsor intends to maintain his equity at the 100 percent level. Very often, because of the difficulties of obtaining mortgage financing in time to complete the transaction, the purchaser will acquire the property in the hope of obtaining a mortgage at some subsequent date. Aside from these few cases, during the period 1938 to 1956, equities did not exceed 80 percent on any transaction. In the majority of cases equities were between 20 to 40 percent of consideration (see Table A-21).

Among the various structure types, the required equity for financing old-law tenements has shown the greatest increase in the past eighteen years (see Table 13).

During the period 1938 to 1944, median equity stood at approximately

Table 13

Median Ratio of Equity to Consideration by Type of Property
West Side Study Area, 1938 - 1956.

Period	All Types	Old-law Tenements	Brownstones: 1 & 2 family	Brownstones: Multi-Family	Brownstones: Single Room	Elev. Bldgs.
1938-39	26.4	—*	—*	—*	26.7	—*
1940-44	22.8	18.0	23.3	21.1	27.7	15.7
1945-49	35.0	29.9	35.0	33.5	33.2	17.5
1950-54	35.1	35.6	33.8	35.8	35.6	18.8
1955-56	34.6	32.5	35.0	35.0	31.5	16.7

* Insufficient number of observations for calculation of medians.

18 percent.[12] In the following five years, the median rose to 30 percent, and between 1950 and 1954, it stood at 36 percent. Elevator apartment houses, regardless of their vintage, appeared to have varied little since 1940. For structures of this type, the median equity moved between 16 and 19 percent and showed no discernible trend as between the war and postwar eras.

Significant differences in trend pattern have been observed for the three types of brownstones that were studied. Prior to 1945, brownstones used as one or two-family apartment structures had a median equity slightly in excess of 20 percent, whereas buildings of this type employed as rooming houses revealed a median equity of 28 percent. In the postwar period, however, the gap closed, and regardless of use, median equity ranged very narrowly around 35 percent. Thus, whereas the mortgage market prior to 1945 appeared to distinguish between brownstones depending upon their use, since the end of war the distinction seems to have disappeared.

Number of Mortgages per Transaction

Well over half of the transactions between 1950 and 1955 required two or more mortgages in order to make up the difference between the equity and the consideration. In 8 percent, or in one out of twelve transactions, three mortgages were required, and in a scattering of cases, four separate loans were necessary to complete the transaction (see Table 14). In less than 2 percent of the cases were properties acquired without financing. On the average, 1.6 mortgages were required to complete a bonafide transaction (see Table A-22).

The number of liens on a property adds to the complexity of financial management in a number of ways. Prior to acquisition, it means that the purchaser must search numerous sources before he can accumulate the necessary total amount to acquire the property, since it appears that no single source is willing to risk more than a small proportion of the consideration. There will be differences in the terms of the mortgages, and as a consequence, the owner will be frequently confronted with the necessity of refinancing or accumulating sufficient liquid funds to repay a debt when it becomes due. In addition, during the course of the loans, the owner will be required to negotiate with several different mortgagees whose

12. None of the transactions in this period were sales by financial institutions of property acquired through foreclosure, which as a rule, are characterized by a low ratio of equity to consideration.

Table 14

Number of Mortages per Conveyance.
West Side Study Area, 1950 - 1955.

Mortages per Transaction	Number of Transactions	Percent of Total
0	11	1.7
1	272	43.0
2	291	46.0
3	50	7.9
4	9	1.4
Total	633	100.0

interests and motives may not coincide. Since the position of the junior lenders is more precarious than that of the first mortgagee, money will be more expensive, and the terms more stringent. Moreover, during a period of financial stress the owner usually finds himself in a poor bargaining position with the individuals who finance the junior liens. But perhaps the most significant point is that a complex financial structure adds greatly to the difficulties of renewal planning because of the necessity of obtaining agreement among numerous interested parties on any changes that are contemplated.

The Types of Mortgages

The analysis of the types of mortgages which accompany a transaction are of considerable interest from a number of points of view. The extent to which new mortgages are made is an index of the viability of an area because the injection of funds not previously available enable the owner to undertake various types of property improvements and repairs.[13] Prior mortgages assumed by the purchaser, while providing no new money for the purchaser, serve to facilitate sale and acquisition. Similarly, a purchase money mortgage taken back by the seller contributes no liquid assets to the purchaser, but does make acquisition easier by virtue of the fact that he need not canvass the mortgage market for the necessary funds.

Out of the total number of mortgages that accompany the bonafide conveyance of property between 1950 and 1955, less than 5 percent were new mortgages. Over 60 percent were existing mortgages taken over by

13. From the records it was impossible to distinguish between new and refinanced mortgages. Throughout this chapter mortgages classified as "new" therefore contain an undetermined proportion of refinanced loans.

the purchaser at time of acquisition and approximately one-third were purchase money mortgages. Table 15 shows the distribution of various types of mortgages according to priority of lien.

The Complexities of the Market

The foregoing presentation has been concerned only with financing that has accompanied the bonafide conveyance of property. Yet very often major changes are made in the financial structure after the property has been acquired. Specific arrangements made at the time of the transaction may be accepted more for the sake of implementing the sale than for establishing the long-term financial program of the property. For this and other reasons, many financial transactions occur between property tranfers.

TABLE 15

PERCENTAGE DISTRIBUTION OF MORTGAGES BY TYPE AND PRIORITY
WEST SIDE STUDY AREA. 1950 - 1955.

Type of Mortgage	Priority of Mortgage		
	First	Junior	Total
New	5.1	4.5	4.9
Prior	63.7	56.0	60.6
Purchase Money	31.2	39.5	34.5
Total	100.0	100.0	100.0
% of Total	59.8	40.2	100.0

As in the case of any statistical abstraction, the data ignore some of the more pertinent realities of life, though surely this is inevitable if the statistical tables are to be presented in comprehensible form. Lest the reader, however, draw too simple a picture from the previous presentation, case studies have been prepared which trace both the conveyance and mortgage history of five selected properties over a protracted period of time. In reconstructing the history of each property, an attempt has been made to indicate what may have transpired between successive transactions, and to show in narrative form the transition from one step to the next as property has passed from one hand to another or as the mortgage structure has changed from time to time. These studies are found in Appendix B.

Chapter VII

THE FLOW OF MORTGAGE FUNDS

For the purpose of studying the flow of funds in the area, every mortgage that was recorded for property in the Study Area during the period 1950-1955 was catalogued and the characteristics of the loans tabulated in various statistical summaries. Although the volume of mortgage recordings is a significant index of the status of the mortgage market, the data nevertheless cannot be used to measure changes in outstanding mortgage debt. Any number of mortgages might be imposed in sequence on a single property, either at the time of transfer or between transactions, each replacing a previous obligation, recasting the terms of the loans, or in some other sense altering the provision of the contract, without changing the total outstanding amount of the debt.

It is therefore important to know the amount of the satisfactions, as well as the number of recordings, if an accurate picture of the flow of funds is to be obtained. Satisfactions are infrequently recorded, however, and so cannot be used as an index of the extent to which mortgage loans are actually repaid. Because of this limitation only one side of the ledger can be presented — the side concerning loans currently being made.

A careful examination of mortgage recordings yields much vital information about the sources of funds, the relative accessibility of mortgage loans to owners of the various types of structures, the priority of liens, the interest rates, and the term repayment.[14] To supplement this information, discussions were held with mortgage and real estate brokers, mortgage loan officers of financial institutions, and individuals active in the mortgage market of this area. A summary of the impressions and experiences recounted during these sessions is presented later in this chapter.

Volume and Type of Mortgage

During the six-year period of 1950-1955, approximately $28.2 million in mortgages, representing 954 loans, were recorded on property in the area. It should be remembered that the area contains over 1,100 structures, and that the average rate of turnover for property is just under .10 transfers per year.

Of the total amount of the recordings, a little more than one-half, or $16.7 million, was accounted for either by new loans or by purchase

14. This source of data does not provide any information on amortization plans.

money mortgages (see Table 16). The remainder, approximately $11.5 million, represented extensions, consolidations, and other changes in the provisions of existing mortgages. Prior mortgages assumed at the time of property transfer are rarely recorded and therefore do not appear in this total. Because of the difficulty of identifying refinanced loans, they have been classified as new lending.

Only $5.7 million in new mortgage money flowed into the area during the six-year period. That the bulk of the financing, or approximately $10 million, was represented by purchase money mortgages indicates that property transactions were largely dependent upon the readiness of the previous owner to retain a financial interest in the property after its sale.

TABLE 16

NUMBER AND AMOUNT OF MORTGAGES RECORDED BY TYPE OF MORTGAGE AND PRIORITY OF LIEN, 1950 - 1955, WEST SIDE STUDY AREA

(AMOUNTS IN $000)

Type of Mortgage	Total*		First Mort.		Junior Mort.	
	No.	Amt.	No.	Amt.	No.	Amt.
New	360	$5,690	170	$3,374	189	$2,281
Purchase Money	406	10,699	187	7,185	216	3,475
Total	766	$16,389	357	$10,559	405	$5,756
Extensions & Consolidations	173	11,545	166	11,498	7	47
Others	15	263	8	123	2	8
Total	954	$28,197	531	$22,180	414	$5,811

* Total includes 9 mortgages amounting to $206,000, for which priority of lien was not known.

A total of 766 new and purchase money mortgages were recorded during the same period. Of these, 357 were first mortgages, and the remaining 405 were junior liens of second or lower priority. Both the first mortgages and the junior liens in each category were divided almost equally between new and purchase money mortgages. As one would expect, the first mortgages were higher in amount, averaging $29,577 as against $14,212 for the junior liens. The extent to which purchasers of property in the area rely upon junior financing is strikingly revealed by the fact that they represent more than one-half of the total number and one-third of the total amount of mortgage recordings.

Source of Funds

Between the years 1950 and 1955, property owners in the Study Area depended very heavily upon non-institutional sources for the financing of their holdings (see Table 17). During this period only one mortgage in every six, and only $30 of each $100 mortgage amount, came from established financial institutions such as savings banks, banks and trust companies, insurance companies, and building and loan associations.[15] In contrast, four of every five mortgages, and $70 of each $100 amount, were obtained from individuals, real estate companies, and similar sources.

TABLE 17

NUMBER AND AMOUNT OF MORTAGES RECORDED IN WEST SIDE STUDY AREA (EXCLUSIVE OF EXTENSIONS AND CONSOLIDATIONS) BY TYPE OF MORTGAGEE 1950 - 1955

(AMOUNTS IN $000)

Type of Mortgagee*	Number	Percent	Amount	Percent
Institutional	127	16.6	$5,044	30.8
Individuals	537	70.1	7,318	44.6
Others	102	13.3	4,027	24.6
Total	766	100.0	$16,389	100.0

* For details, see Table A-24.

In a limited number of cases it was possible to identify, among the many individuals making mortgage loans, those who specialize in lending money in blighted or declining areas. It was established that, during the six-year period studied, individual lenders of this type provided at least 58 loans, totaling $1,100,000 in amount, or approximately six percent of all mortgages. These are considered to be minimum figures, for it is known that loans were made by many such specialists who could not be readily identified because their operations were conducted under a variety of titles. Although the group is not a major source of funds, the fact that they are able to operate in the neigborhood underlines the difficulty that

15. For the purpose of this analysis, retirement funds and similar organizations were considered to be institutional sources.

property owners in the Study Area encounter in attempting to obtain financing from orthodox sources.

The heavy reliance on various types of individuals for the financing needs of property owners poses a number of serious problems, some of which are quite evident in day-by-day real estate operations, and some are more apparent in reference to the long-term prospects of the area. Since this sector of the mortgage market is not organized, an owner or purchaser is obliged to canvass a great number and variety of sources before finding a lender who is willing to meet his requirements. Unlike institutional sources, moreover, the individuals who make such loans are generally inexperienced and do not retain a staff of personnel trained in the mortgage market and prepared to meet such contingencies as may arise. Nor do they, as a rule, establish minimum standards of maintenance as a condition of the loan, or conduct periodic inspections of the property on which they hold the mortgage. On a broader scale, the fact that institutional lenders have shown a diminishing interest in the area indicates that potential funds for property owners are limited, and raises serious questions regarding the inclination of institutions to participate in the sizable financing that will be required if success is to accompany efforts of the renewal program to rehabilitate the area. Unless the proposed program is to be of a magnitude that includes government incentives of one kind or another, there is doubt as to whether mortgage credit from responsible sources will be available for the rehabilitation of the neighborhood.

The Trend in Mortgage Recordings

For the period 1950-1955, the annual dollar volume of mortgage recordings in the area showed an irregular but generally downward trend (see Table 18). In 1950, over $3.0 million in mortgages were recorded in the area, but in the following two years the volume averaged only about $2.0 million annually. In 1953, with the appearance of a number of large mortgages on the books, the aggregate amount rose sharply to $5.8 million, whereas the number of loans showed only slight variation. During 1954 and 1955, the downward movement interrupted in 1953 was resumed, with recordings of $1.8 million and $1.5 million respectively, for the two years. For the complete six-year period, then, recordings declined from almost $3.0 million in 1950 to $1.5 million in 1955. While the decline may be attributed in part to general shortgages of mortgage capital, this explanation can by no means account for a contraction of 50 percent in the annual dollar volume of mortgages made in the area.

TABLE 18

NUMBER AND AMOUNT OF MORTGAGES RECORDED IN WEST SIDE STUDY AREA
(EXCLUSIVE OF EXTENSIONS AND CONSOLIDATIONS)
1950 - 1955

(AMOUNTS IN $000)

Year	Number	Amount
1950	127	$3,022
1951	133	1,965
1952	108	2,192
1953	128	5,828*
1954	132	1,846
1955	138	1,536
Total	766	$16,389

* Two large mortgages amounting to $2,642,000 are included in this total. One in the amount of $1,622,000, was made by a realty corporation, the principal of which was also the owner of the building that secured the loan. The second was a purchase money mortgage taken back by a bank and trust company.

Interest Rates

For the same period the recording interest rates corresponded closely with those of the market as a whole, but as will become evident later on, these rates must be adjusted for other factors before they can be properly understood.[16] The average interest rate for all new and purchase money mortgages recorded 1950 to 1955 stood at 5.03 percent when based on the number of loans, or at 4.29 percent when based on the dollar amount.[17] The modal rate of interest, characteristic of slightly less than one-half of the total number of loans, was 5 percent (see Table A-25).

There was some variation between the rates recorded for the first as against the junior liens. The average rate for first mortgages, based on number, was 4.90 percent and, based on amount, 4.30 percent. The rates for junior liens were somewhat higher, averaging 5.17 percent and 5.04 percent by number and amount respectively. Junior liens usually carry a higher rate than first mortgages because the risk is greater and the amount of the loan is usually smaller. In the West Side Study Area, jun-

16. Because many lenders operating in the area require substantial discounts at the time that a mortgage is made, the interest rates cited merely indicate the contract amount rather than the effective rate or the yield to the lender. This subject is dis cussed in greater detail in a later section of the present chapter.

17. The mean based upon number of mortgages indicates the average per mortgage; i. e., the rate paid by the average mortgagor for each loan. The mean based upon amount indicates the average rate per dollar borrowed; i. e., the cost of money .

ior liens averaged $12,532, or approximately 40 percent of the average amount of the first mortgage ($29,577).

Term of Mortgage

In an area where the future of property income and values is uncertain, mortgage lenders are reluctant to make long-term loans. This is understandable in view of the fact that payments of interest and repayments of principal are drawn from current income, and that in the event of foreclosure the value of the property must be sufficient to cover the outstanding debt, cost of foreclosure and related matters, if the mortgagee is to avoid capital loss. Moreover, in an area in which there is some question as to occupancy standards or legality of operation, mortgage institutions feel that they would be placed in an awkward position should it become necessary to acquire the property by way of foreclosure. Thus, the term of loan is another index of the attitude of mortgage lenders towards an area.

The term of repayment was available for 244 of the 360 new mortgages recorded in the Study Area between 1950 and 1955. Of these, 10 percent of the loans required repayment on demand, and 35 percent carried a term of less than five years. Of the 76 loans that required repayment in ten or more years, 64 carried a term of exactly ten years. As one would expect, the junior mortgages by and large were of shorter term than first mortgages; 52 percent of those indicating term required repayment in ten or more years in the former group as against 18 percent in the taken back by the seller.

Purchase money mortgages carried, for the most part, a longer term of repayment than new mortgages. Of the 344 purchase money mortgages for which term was ascertained 16 percent were for less than five years, and 35 percent were loans of ten years or more. Although the majority of these loans fell into the ten-year category, there were a number with longer duration, some requiring repayment in fifteen years or more from the time the loan was made. As in the case of new mortgages, the junior purchase money mortgages were of shorter term than the first mortgages latter group.

Type of Structure

Brownstone houses used either as multi-family dwellings or as rooming houses accounted for a greater proportion of the total dollar amount of mortgages than of the total taxable assessed values recorded for the area.

But for the old-law walk-up tenements and for the elevator-equipped tenements erected between 1901 and 1929, the case was exactly the reverse, the degree of representation in both instances being smaller in the total mortgage amounts than in the taxable assessed values of the area. For each of the remaining types of structures discussed in other sections of this study, the degree of participation in mortgage amounts was about the same as that in assessed values.

In the area as a whole, first mortgages made up roughly two-thirds of the mortgages recorded. There was, however, considerable variation among the several types of property as to dependence on secondary financing. For most of the major types of structures (old-law tenements, brownstones used as multi-family dwellings or as rooming houses, and elevator tenements built prior to 1930), approximately one in every two dollars of mortgages was first lien. New-law walk-ups, modern elevator apartment buildings, and one or two-family brownstones were in a superior position to obtain first mortgage money, with first liens constituting, respectively, 93, 79, and 73 percent of the mortgages recorded for these classes of property. Of the latter three types of structures, however, the modern elevator apartment house built after 1929 is the only one of major significance in the area.

It is also interesting to observe the relative extent to which the various sources of mortgage funds are available for the different types of structures. Institutional sources, including savings banks, banks and trust companies, insurance companies, and building and loan associations, which together accounted for 31 percent of the mortgages recorded in the area, made 47 percent of all the loans on elevator apartment houses built since 1929. On the other hand, these sources accounted for considerably less than 23 percent of the loans for the remaining types of property, recording only 12 percent of the mortgages on brownstone rooming houses. The heaviest reliance upon individuals as a source of mortgage funds was to be found among the brownstone rooming houses, for which 78 percent of all recordings came from this group. On the other hand, the modern apartment houses depended only to the extent of 15 percent on individuals for their financing. Other sources, including real estate corporations and various miscellaneous groups, furnished 25 percent of the total number of loans in the area, but participated most heavily in the financing of post-1929 elevator apartment houses, accounting for 30 to 50 percent of the mortgages recorded for this type of structure.

Extensions and Consolidations

During the six-year period of 1950-1955, some 173 mortgages, totaling $11.5 million in amounts, were either extended or consolidated, or both. The greater part of the activity involved savings banks, which accounted for over 100 mortgages with $6 million in face amount. In terms of number, individuals ranked second with 49 mortgages, while in terms of amount, insurance companies and miscellaneous groups were important contributors, recording $2.4 million and $2.0 million, respectively, of extensions and consolidations (see Table 18).

Disclosures as to the Character of the Market

In order to supplement the statistical findings, interviews were conducted with individuals and firms who actively participate in the financing of structures located in the Study Area. Discussions were held with real estate and market brokers, officials of financial institutions, management firms, and individuals engaged in the trading of properties. By and large, there was little contradiction in the information that was collected from these sources. There was considerable variation, however, in the degree of candor with which they spoke. But for the most part, they accepted assurances that their identity would not be disclosed. Many voiced the hope that the renewal effort would be successful in restoring or rehabilitating the area. The discussion presented below represents the consensus of informed persons who were interviewed.

It would appear that in the case of all structures in the area, regardless of quality, there is difficulty in obtaining financing through the established institutional sources of funds. On modern elevator buildings, which are in the most preferred position, institutions will make mortgages amounting to three times the gross rent, while allowing four to four-and-one-half times the rent for similar properties in other areas of the city. Moreover, interest rates on mortgages secured by this type of structure are generally one-half of one percent higher in the Study Area than in the better residential districts.

It is reported that there is considerable difficulty in obtaining institutional funds for the renewal of mortgages on old-law tenements. In particular, institutions will not consider tenements that have been converted into rooming houses. Lenders insist that loans on brownstone buildings be written down very quickly, and frequently request substantial reductions in the loan as a condition of renewal or extension when the mortgage falls due. Mortgages on these structures are rarely foreclosed because of the embarrassment that it causes the institutions, and every effort is made to reconcile the reluctance to foreclose with the desire to reduce the outstanding balance of the loan.

There appears to be no organized market for mortgages on rooming houses, apartment hotels, residence clubs, or similar enterprises. The financing of this type of property usually comes from individuals who are not ordinarily active in the mortgage market, but who are very frequently friends or relatives of the owners. A substantial number of specialists have come into the field to fill the vacuum created by the absence of established mortgage sources. These individuals are usually in a position to have their demands met, particularly by the many purchasers who have no alternative sources of funds.

It is reported that, more often than not, premiums are required for first as well as for second mortgages. The premiums vary in size depending upon the relative bargaining power of the principal. The amounts of the premiums range from 10 to 30 percent and are usually paid in cash at the time the loan is closed. Although our informants assert that the contract interest rate is the maximum allowed by the usury laws of the State, our mortgage recording statistics (cited above) indicate that a substantial proportion of both first and second mortgages made to individuals carry a contract rate of under 6 percent. But if, of course, the premiums are of the dimension reported, then the effective interest rate is quite obviously considerably higher than the rate stated in the mortgage contract.

Conclusion

There is little doubt that in the minds of officials of mortgage institutions, the West Side Study Area has become a district in which lending activity is undertaken with extreme caution. In view of the volume of transactions and the value of structures, the amount of new money flowing into the area is extremely small. Individuals constitute a major source of funds. Second mortgages occur with great frequency. And it appears that in recent years the total volume mortgage flow, regardless of type of mortgage, has shown a distinct downward trend.

The difficulties encountered by property owners in obtaining financing has three serious implications. First, the dearth of new funds from which the financing of rehabilitation or remodeling activities must come accelerates the decline of the area. Second, since many of the principals can secure mortgage money only by payment of a substantial premium, additional pressure is placed upon their financial position. They may therefore feel compelled to improve their income through further subdivision or overcrowding of existing living quarters. Third, if any urban renewal program, regardless of its precise form, is to be carried out successfully, large amounts of capital, particularly in the form of mortgage money, will be required. Financing of this dimension cannot be met by individuals, but must come from the established institutions that are the major repositories of savings. In view of developments in the area in recent years, it is unlikely that institutional funds will be forthcoming unless there is some type of government guarantee of principal or some buttressing of the financial incentive and income position of the property owner by means of tax abatement or similar aids, and general improvement of the area through the provision of necessary community facilities.

Chapter VIII

OPERATING AND INVESTMENT EXPERIENCE

The purpose of this chapter is to provide information on the distribution of the rent dollar to its major recipients and to present an analysis of the return to the landlord on his investment in the property. These data are not only significant from the point of view of the measurement of the income-producing capacity of an asset, but they are also of considerable importance in gauging the efficacy of the financial incentives that are available for urban renewal. Quite obviously, if the present earnings of property owners are higher than those that would result from a renewal effort, there is no financial incentive to the property owner to engage in the hazardous and expensive process of rehabilitating or reconstructing his building.

Accurate and reliable data on operating income and costs were extremely difficult to obtain. Quite understandably, landlords are reluctant to divulge their confidential records to an outsider, particularly if they are to be used in a study sponsored by a governmental agency. It was thus necessary to draw upon a number of sources of information, none of which was entirely satisfactory, but which, when placed together, present a more or less faithful reproduction of the facts of real estate life as they exist in the area.

Sources of Data

The major source of data for this study was statements filed with two governmental agencies. One of the means of securing a reduction in tax assessment is to submit an operating statement to the New York City Tax Department indicating that the income from the property is insufficient to warrant the existing assessment. The Temporary State Housing Rent Commission will consider increases in the legal rents if the landlord can demonstrate that his earnings provide a return of less than 6 percent on the current assessed value of the property. In all, 127 usable accounts were collected from the New York City Tax Department, and 11 from the Temporary State Housing Rent Commission.

It is evident that these returns do not constitute a representative group of income statements for properties in the area. Since all property owners did not file applications, in all likelihood the group that did not do so had higher earnings than the applicants for tax reductions or rent increases. There is also some question regarding the validity of each of the statements filed, for individuals who seek special consideration may attempt to strengthen their case by giving themselves the benefit of the doubt or perhaps stretching a point.

By utilizing some elementary statistical techniques, it was possible to adjust the reported data to make them conform more closely with the actual income and expense position of the properties. Each item of expense was converted to expenditures per square foot and classified into frequency distributions. With the exception of real estate taxes, it was found that the distributions of expenses tended to be bi-modal in shape. The data thus revealed not one, but two frequency distributions that overlapped each other. It was therefore concluded that the group of properties that fell into the upper range included those that are poorly managed or those for which expenditures had been exaggerated.

The lower frequency distribution presumably described the pattern of expenses for the properties that were reasonably managed and accurately reported, whereas the upper distribution presumably reflected poor management or exaggerated reporting. The statistical adjustment consisted of recalculating the consolidated operating statements on the basis of the lower of two overlapping frequency distributions.

Additional estimates of the income and expenses for characteristic properties of each type were secured by interviewing eight firms engaged in real estate management of properties located in or adjacent to the area of study. A formal questionnaire was prepared which presented the salient facts on the property to be estimated, and stipulated in detail the kinds of data that were sought for each item. A set of these questionnaires was also completed by the Director of Management of the New York City Housing Authority. Copies of these questionnaires are included as Appendix C.

Extent of Coverage

Sufficient representation was obtained for the principal types of buildings in the Study Area. In the case of the brownstones used for rooming-house purposes, it was necessary to collect information on structures of this type and use located on the outskirts of the area in order to secure an adequate number of statements for analysis. It was felt that experience of brownstone rooming houses located immediately outside of the area did not differ from those in the twenty-block area subjected to intensive analysis.

The overwhelming majority of statements was based upon operating experience in the years 1953 through 1955. Where more than one statement was filed for a given property, the later date was used. All statements were carefully edited for internal consistency. In the event that a stated total differed from the sum of the items, the sum rather than the total was used. In a few cases it was necessary to estimate the amount of specific items of expense where these were not given. The number of such cases was limited and the estimates had relatively little influence on the total.[18]

Gross Rent

Approximately $14.5 million in residential contract rent payments were made in the West Side Study Area in 1956, an amount almost double the comparable figure ($7.8 million) for 1940, and 43 percent higher than 1950 ($10.3 million).[19] Some of the increase is attributable to the virtual disappearance of vacancies in the area, and to additional investment in the form of new construction, additions, and alterations, or added services, light, gas, etc. For the City as a whole, the Bureau of Labor Statistics rent index which measures changes in charges for similar dwelling units, increased approximately 30 percent between 1940 and 1956. If the combined influence of these factors is estimated to amount to 50 percent of the increase in gross rent since 1940, then the remainder of the rise can be attributed to the subdivision of unfurnished dwelling units into smaller furnished quarters. According to field survey data collected by Audits and Surveys Company, gross rents in 1956 amounted to $16.0 million. The difference between this amount and $14.7 million is largely due to rent payments made to primary tenants rather than to the landlord.

Based on rent paying families, rents in the brownstone rooming houses averaged $2.30 per square foot annually in 1956, compared with $1.30 per square foot for space in elevator apartment houses, and $1.07 per square foot for old and new-law tenements without elevator. The high rents in the brownstone rooming houses are accompanied by a considerable degree of crowding. In these quarters an average of 166 square feet is

18. For an exhaustive and penetrating study of income property in New York City, the reader is referred to Leo Grebler, *Experience in Urban Real Estate Investment,* Columbia University Press, New York, 1955. This report traces the financial history of various types of property from 1900 to 1950.

19. Estimate for 1956, prepared by Audits and Surveys Company. It is virtually identical with an estimate ($14.7 million) based on rents reported to Tax Department and Rent Commission; 1940 and 1950 estimates derived by multiplying average rent per block by number of occupied dwelling units and summing the product for the twenty-block area. Data from 1940 and 1950 Census Block Statistics.

available per person, compared with 431 square feet in elevator apartments and 265 square feet in old and new walk-ups without single room occupancy and 88 in old-law tenements with single room occupancy (see Table 20).

Net Operating Income as a Percent of Gross Income

The information reported by landlords indicates that the net operating income constitutes 30 to 36 percent of gross income, depending upon the type of property.[20]

TABLE 19

TOTAL RENTS PAID BY RENT PAYING HOUSEHOLDS AND FAMILIES
WEST SIDE URBAN RENEWAL STUDY AREA, 1956

(AMOUNTS IN $000)

	Households			Families
	Dwelling Units	Non-D. U. Living Quarters	All Living Quarters	All Living Quarters
Furnished	$4,560.4	$581.8	$5,142.2	$5,549.7
Unfurnished	9,361.6	21.4	9,383.0	10,607.0
Total	$13,922.0	$603.2	$14,525.2	$16,156.7

Source: Audits and Surveys Company, Inc.

Old-law tenements reported a net operating ratio of 35 percent. When these data were adjusted to eliminate the upper ranges of expense items, the consolidated balance sheets revealed a net operating income of 44 percent. The real estate managers' estimate of net for this type of structure ranged from 30 to 37 percent, while the New York City Housing Authority placed the ratio at 32 percent. It would thus appear that the reports for old-law tenements were reasonably acceptable, and that the net operating ratio for this type of structure fell somewhere in the range of 30 to 40 percent (see Table 21). All of the data on old-law tenements presented in this chapter refer to structures that are used for apartment purposes. It was impossible to secure an adequate number of income statements for structures of this type that have been converted to single room occupancy.

20. Net operating income equals gross income minus real estate taxes, and expenditures for operating and maintenance. No deductions are made for depreciation and debt service. A calculation taking debt service into account appears in a later section of this chapter.

Table 20

Average Rent per Square Foot of Space, and Space per Family and Person by Type of Structure, 1956, West Side Study Area

Type of Structure	Rent per Square Feet	Square Feet of Space per Family	Median Family Size	Square Feet of Space per Persons*	Rent Paying Families as a Percent of Total Families in Structure Type
Old and New-Law Tenement[1]	$1.07	687	2.59	265*	92.2
Old-Law Tenement, SRO[2]	2.86	259	2.93	88*	96.3
Brownstone 1-2 Family	.97	896	2.12	423*	63.8
Brownstone Multi-Family	2.00	483	2.09	231*	91.2
Brownstone Rooming House	2.30	326	1.96	166*	91.1
Elevator Buildings[3]	1.30	1,128	2.62	431*	93.6

* Estimated

1 No elevators; no single room occupancy in Old-Law Tenements

2 Single room occupancy

3 Old and New-Law Tenements and post-1929 buildings

No data were available from official files on brownstone houses containing fewer than three dwelling units. Real estate managers, however, estimated a range of 30 to 49 percent for the ratio of net operating income to gross, and the New York City Housing Authority placed this figure precisely midway in the range at 39 percent.

Brownstones used as multiple dwellings reported a ratio of 32 percent which rose to 42 percent when the data were adjusted. Both the real estate managers and the New York City Housing Authority indicated a considerably higher ratio than either of the two figures presented previously. Managers' estimates ranged from 52 to 63 percent, and the Housing Authority estimate stood at 54 percent.

Brownstone dwellings used for rooming house purposes reported a ratio of 30 percent with the statistical adjustment bringing this figure to 45 percent. Real estate managers provided a range of estimates that went from 42 to 56 percent for this type of structure.

TABLE 21

NET OPERATING INCOME AS A PERCENT OF GROSS INCOME

Type of Property	As Reported	As Adjusted	Estimated by R. E. Mgrs. (Range)		Estimated by N.Y.C.H.A.
Old-Law Tenement (walk-up)	34.9	43.7	37.2	29.9	31.5
Brownstone 1 and 2 family	—	—	49.2	29.5	39.3
Brownstone, multi-family	32.2	42.0	63.4	52.0	53.8
Brownstone, rooming house	30.3	44.9	56.5	41.5	—
Elevator Apartments	35.9	42.6	55.1	43.7	48.4[1]

[1] Old-law tenement with elevator

Elevator apartment houses of all types and vintages showed a net operating ratio of 36 percent on the basis of reported statements, and 43 percent after adjustment. The opinions of the managers revealed a range of 44 to 55 percent, and again the New York City Housing Authority figure fell approximately in the center of the latter range, standing at 48 percent.

In summary then, the statements of landlords who are presumably earning less than average returns and who have filed with an official Government agency indicate that 30 to 36 cents out of every rental dollar remained after expenditures for operating and taxes. When these data were adjusted to eliminate what appeared to be obvious exaggerations or the results of less efficient management, the net operating income for properties in the area showed at 42 to 45 percent. In virtually all cases, real estate managers estimated the net ratio to be higher than that indicated in the figures cited above. It would thus appear that the ratio of net operating income to gross is somewhere in the vicinity of 40 to 50 percent on the average - a proportion that compares favorably with the return on other rental property in New York City.

Real Estate Taxes as a Percent of Gross Income and Total Expenses

For the cases that were reported, real estate taxes constituted less than 20 percent of gross income, and there appeared to be little variation among the types of structures. For old-law tenements the ratio was 20 percent; for multi-family brownstones and elevator apartments, 19 percent; and for brownstone rooming houses, 16 percent.[21] There was no difference between the reported and adjusted data for these reasons. Real estate taxes were accurately reported as a check of assessed value and tax ratio demonstrated, and since there was no basis for adjusting gross income, the reported figure was accepted as given. For rooming houses this figure may have been understated because of the tendency to collect more than the legal rent as shown in the record. To the extent to which this occurred, the ratio of taxes to gross income shown above is understated.

By and large real estate taxes as a percent of gross income computed from estimates prepared by real estate managers were somewhat lower than the ratio based on reported figures. The greatest differences were observed for brownstones and old-law tenements, while the ratio for elevator apartments was only slightly less than the reported figure.

For the area as a whole, real estate taxes have declined as a percent of residential rent. In 1940 these imposts comprised 27 percent of gross rents. By 1950 this percentage had decline to 20, and in 1955-56, it stood at 17 percent. The downward trend of the City's share in the local rent dollar is unmistakable.

Real estate taxes constituted the single most important item of expenses (exclusive of debt service) in virtually all cases. According to the reported

21. Furnished room property shows a lower ratio of taxes to gross income because assessed valuation does not include value of furniture. Even if the furniture has little or no actual market value, the rents for the accommodations are set at a furnished level.

figures, these taxes ranged from 23 to 30 percent of expenses, while the adjusted figures show a spread of 30 to 35 percent (see Table 22). These figures are in general agreement with the ratios based on data provided by real estate managers and the New York City Housing Authority.[22]

TABLE 22

REAL ESTATE TAXES AS A PERCENT OF TOTAL EXPENSES BY TYPE OF PROPERTY

Type of Property	Source of Data				
			Estimated by Property Managers		
	Reported	Adjusted	High	Low	N.Y.C.H.A.
Old-Law Tenement (Walk-ups)	30.2	34.8	23.8	21.3	36.5
Brownstone, 1 and 2 family	—	—	42.9	30.9	39.5
Brownstone, multi-family	27.6	32.3	35.2	26.9	37.2
Brownstone, rooming house	23.4	29.6	21.6	16.1	—
Elevator Apartments	23.4	32.8	38.4	30.6	33.4

Net Operating Income as a Percent of Consideration

This ratio indicates the return on the original price of the property after out-of-pocket expenditures have been met, but before account has been taken of depreciation or debt service. The percentage was calculated by relating the current net operating income to the total consideration paid by the present owner at the time of acquisition. Thus, the original consideration is used as a denominator regardless of whether the property was acquired in 1955 or in 1935, and no account is taken of the revaluation that occurred since the time of acquisition. It does, however, indicate a measure of the rate of return on the total investment made when the transaction was consummated.

On the basis of the data as reported, net operating income constitutes 7.9 percent on the average of original consideration (see Table A-30).[23] The median percentage was 7.6. When the data are adjusted, the average percentage rises to 9.5. According to the reported figures, 6 percent of the cases earned less than 2 percent on original consideration, while 10

22. See Tables A-28 and A-29 in the appendix for data on specific items of expense as a percent of gross income and of total expenses.

23. Figure presented is a weighted average computed by dividing total net income by total consideration for all properties.

percent earned 15 percent or more. More than one-third of the cases (35 percent) reported a return between 6 and 10 percent. In all, 65 percent of the cases in the reported data reveal a ratio of net income to original consideration in excess of 6 percent.

For old-law tenements, the average return was 7.4 percent based upon the reported data, and 9.3 percent on the data as adjusted — the lowest ratio of return based upon these measures. The reported data for 50 percent of the cases show returns below 7.3 percent, and, of course, a similar proportion above that figure. The reader is again reminded that the data as reported tend to understate the net income.

Brownstone structures converted to apartment use report the highest rate of return. The arithmetic average for this group was 10.7 percent, and the adjustments in the data raise this figure to 13.9 percent. The median, based on unadjusted data, was 7.5 percent.

Brownstones used as rooming houses reported the lowest rate of return based upon this measure, averaging 8.0 percent for reported data, and 11.9 percent for adjusted data. The median percentage for this group was 7.8. The low rate of return shown for this group is due to the fact that owners who do well do not report.

For all types of elevator apartments combined, reported data indicate an average ratio of net operating income to original consideration of 7.9, which rises to 9.3 percent when the data are adjusted. The median point in the distribution of rates of return for this type of structure stood at 8.0 percent.

Net Operating Income as a Percent of Current Assessed Value

In order to relate net operating income to some current estimate of value, the tax assessment for the year 1955-56 was used as a base in the calculation. Since the ratio of consideration to assessed values in this year fell into the approximate range of 110 to 120 percent, the reader may see fit to derive his own estimates on net operating incomes as a percent of current market value by dividing the figures presented in this section by approximately 1.15.

For all properties, the reported data indicate a weighted arithmetic average of net operating income to assessed value, 1955-56, of 6.9 percent (see Table A-31). When the data were adjusted for unusual or exaggerated cases, the average return on assessed value rose to 8.4 percent.[24] Based upon data as reported, 50 percent of the cases failed to earn as much as 6 percent on assessed value, while 7 percent of the cases reported earnings of 15 percent or better.

Two independent estimates indicate considerably higher returns on assessed value. According to calculations based on figures prepared by real estate managers, the average of net operating income to current assessed value revealed a range from 11.4 to 14.4 percent. A similar calculation was made utilizing the estimates of the New York Housing Authority, which revealed an average return on assessed value slightly in excess of 10 percent.

Old-law tenements showed an average rate of return of 5.4 percent on assessed value based upon reported data, 6.8 percent based upon adjusted data, a range of 7.9 to 9.8 percent based upon real estate managers' estimates, and 5.0 percent based upon estimates of New York City Housing Authority. The median for the reported data was 6.2 percent.

Brownstones converted to apartment houses showed an average rate of return on current assessed value of 7.0 percent based upon reported data, 9.1 percent on adjusted data, a range of 16.1 to 19.6 percent when the estimates of the real estate managers were employed, and 12.5 percent when the data provided by the New York City Housing Authority were used. Here again, half of the cases reported rates of return that were less than 6 percent. The greatest disparity between the reported figures and other estimates was to be found in brownstone rooming houses. Utilizing the data as presented to the New York City Tax Department and the Rent Control Commission, the average rate of return came to 7.0 percent. When the statistical adjustments were made on the body of data, the return rose to an average of 10.3 percent. Real estate managers, on the other hand, indicate that the average rate of return, according to data based upon their experience, ranged between 17.3 and 23.5 percent.

For all types of elevator apartment houses combined, the mean of net operating income as a percent of assessed value, 1955-56, stood at 7.3 percent, according to the data as reported. The statistical adjustments raised this average but slightly to 8.6 percent. The estimates of real estate managers ranged from 10.1 to 12.8 percent, while the data submitted by the New York City Housing Authority showed a rate of return of 11.2 percent. Further details on these calculations for various types of elevator structures are shown in the accompanying statistical tables.

24. Assuming a net to gross ratio of 35 percent, aggregate net rent in 1956 constituted 8.2 percent of the total assessed value of residential real estate in the Study Area.

Return on Equity

In the most part, investors in real estate are not particularly concerned with the ratio of net operating income to original consideration or to assesssed value. To be sure, this relationship is of interest to them if it constitutes the basis for adjustments either in tax assessment or in legal rent levels. From the point of view of their own return, however, they are more interested in the dollar amount that remains with them after all out-of-pocket expenses are met. When this residual amount is related to their equity in the property, there is a close representation of a ratio that conforms with the investor's concept of his yield.

Most real estate investors, particularly those who hold properties in transitional areas, make their calculations entirely on a cash basis. Thus, while they may deduct the allowable amount for depreciation when preparing an income tax return, as a rule this sum is not placed in a special fund for eventual replacement of the property, but is lumped with the general cash return that the owner receives. By the same token, outlays for debt financing are considered as expenditures regardless of the fact that the portion of this amount that serves to amortize the outstanding debt may in reality by a saving rather than an expense. But since the total of interest and amortization is a disbursement that must be made, it is viewed as an expenditure by the equity holder. In summary, then, the calculation of return that has most meaning for an investor, consists in the ratio of net income, after all out-of-pocket disbursements have been met, to his equity in the property.

The calculations presented below were made in the following fashion: For all types of property the mortgage debt was summarized and assumptions made regarding the percentage of the face amount that went for annual payments on interest and principal.[25] This estimate of debt service was then deducted from the net operating income and the remainder related to the equity in the property. Rather than stipulate a single figure to represent the proportion of the original loan that was paid annually for interest and amortization, a schedule was calculated. For each property, six different rates of interest and amortization were utilized, ranging from 7 through 12 percent. By referring to Table A-32, the reader can then select the rate of interest and amortization that he considers to be most appropriate and read the corresponding rate of

25. The debt to value ratios for the properties included in this calculation were: old-law tenements, 74.2 percent; multi-family brownstones, 67.0 percent; brownstone rooming houses, 71.0 percent; elevator apartment houses, 85.2 percent; and total 82.8 percent.

return on equity. The results of four separate sets of calculations are presented in the table - the first based upon the data as reported, the second upon the data after statistical adjustments were made, the third based upon figures provided by real estate managers, and the fourth based upon the experience of the New York City Housing Authority.

For purposes of discussion, a 9 percent rate of interest and amortization combined was utilized in the analysis below (see Table 23). For old-law tenements, the return on equity (before income taxes) based on reported data averaged 3.0 percent, and on adjusted data 11.6 percent. According to the estimates of real estate managers, properties of this type yield a return of 23.0 percent on equity, while the data based upon experience of New York City Housing Authority reveal an average return on equity of 9.1 percent.

TABLE 23

NET OPERATING INCOME AFTER DEBT SERVICE AS A PERCENT OF EQUITY BY TYPE OF PROPERTY

(NINE PERCENT DEBT SERVICE ASSUMED)

Source of Data	O. L. T. Walk-up	Brownstone Multi-family	Brownstone Rooming House	Elev. Apts.	Total
As reported	3.0	14.0	5.6	1.4	3.2
As adjusted	11.6	23.8	18.9	11.3	12.4
Real estate managers	23.0	41.6	35.2	26.5	—
N.Y.C. Housing Authority	9.1	34.6	—	35.5	—

Note: For further details, see Table A-32.

Brownstones converted to multiple dwellings report a yield of 14.0 percent on equity and, when adjusted, the figures show a sharp rise in the rate of return to 23.8 percent. According to data given by the real estate managers, the return on equity is 41.6 percent, while calculations based on data drawn from the experience of the New York City Housing Authority reveal a rate of return of 34.6 percent. For brownstone rooming houses, the average reported rate of return was 5.6 percent, while the figures after statistical adjustment show an average return of 18.9 percent. The figures based upon the experience of real estate managers indicate a rate of return on equity for properties of this type of 35.2 percent.

For elevator apartment houses of all types, the reported data show a return of 1.4 percent on the average. The statistical adjustment brings the rate of return up to 11.3 percent. According to the figures provided by real estate managers, the return on this type of property is 26.5 percent on equity, and the New York City Housing Authority data show a net return of 35.5 percent on invested capital.

It is thus seen that the reported figures differ very widely from all other estimates. The data as reported, in the most part, indicate an unsatisfactory return on investment, while the statistical adjustment and the figures from real estate managers and the Housing Authority show that the average return, if not eminently satisfactory, is at least considerably higher than yields in most avenues of investment.

Quality of Structure

A special analysis was undertaken to investigate the relationship between income and expenditure patterns and the quality of the structure. Old-law tenements (walk-ups) for which accounts were available were divided into two groups, the first consisting of buildings that were structurally sound and well maintained, and the second consisting of those that were in poor conditition and poorly maintained.[26] Consolidated income and expenditure accounts were then prepared for each group. None of the properties selected had been converted to single-room occupancy.

The two groups of properties differed in several respects (see Table 24). The buildings that were in satisfactory condition were generally in the hands of long-term holders. having been acquired during the 1920's, while the poor structures were purchased within the past few years. The former tended to be larger (11,520 square feet of floor area on the average) than the latter (9,710 square feet on the average). The original consideration for the good buildings was higher, $47,310, as against $25,900, which is to be expected because of the differences in size, age and price level at the time of purchase.

The income and expense data for the two groups of buildings show a striking degree of similarity. Each type of property earned an average gross income of $.86 per square foot. Net operating income was 38 percent of gross for the good properties and 36 percent for the poor structures. Expenditures made for each specific item were in general agreement, with the major exception of real estate taxes. For good properties, taxes absorbed 21 cents out of every rent dollar, while only 15 cents went for

26. The buildings were classified by Brown and Guenther, the architectural consultants of the West Side Urban Renewal Study, after detailed field study.

taxes on the poor properties. It is interesting to observe that expenditures for painting, repairs, and general maintenance were slightly higher for the structures that were poorly maintained, 11 cents per square foot, as compared with 9 cents per square foot for the properties that are well maintained. This difference may be due to variations in the accuracy of the reported data. Unlike expenditures for taxes, fuel, etc., these items are not a matter of record.

TABLE 24

CONSOLIDATED OPERATING STATEMENT FOR OLD-LAW TENEMENTS (WALK-UPS)
BY QUALITY OF STRUCTURE AND MAINTENANCE, INCOME, AND EXPENSES PER SQUARE FOOT

	Good Condition and Well Maintained			Poor Condition and Poorly Maintained		
	Per Sq. Ft.	% of Gross	% of Exp.	Per Sq. Ft.	% of Gross	% of Exp.
Real Estate Taxes	$.180	20.8	33.7	$.130	15.0	23.7
Utilities	.029	3.5	5.6	.044	5.1	7.9
Fuel	.100	11.0	17.8	.098	11.4	17.8
Insurance	.035	4.0	6.5	.063	7.3	11.5
Repairs and Painting	.092	10.6	17.2	.108	12.6	19.7
Wages	.045	5.3	1.5	.055	6.4	10.0
Other	.057	6.6	10.7	.051	6.0	9.4
Total Oper. Expenses	.534	61.8	100.0	.550	63.8	100.0
Net Oper. Income	.331	38.2		.312	36.2	
Gross Income	$.864	100.0		$.861	100.0	

Although the dollar income varied little, because of differences in acquisition cost, net operating income as a percent of consideration tended to be higher for the poorer properties, 12 as against 8 percent. On the average, equity represented roughly the same proportion of consideration for the two quality groups, 27 percent for the good properties, as against 25 percent for the poor structures.

For the two groups of buildings that were studied here, variation in quality cannot be explained on the basis of differences in maintenance expenditures for a recent period. Low quality of the poorer structures may be due to an accumulation of inadequate maintenance in past years, inefficient management, or improper treatment by the tenants.

Gross Rent Multiplier

Gross rent multipliers are rules of thumb commonly used in real estate transactions. They provide a simple though crude means of translating gross earnings derived from a property into purchase price. Thus, at any given time, the gross rent multiplier of ten indicates that the market translates gross rents into purchase price by multiplying the former by ten. The measure is crude because the relationship between gross rent and price is influenced by many factors, including the ratio of net to gross income, expectations and variations in capitalization rates.

In this study, gross rent multipliers were computed for properties acquired between 1950 and 1955. The gross rents used in the calculation, however, do not necessarily represent the average revenue for the five-year span, but may be based in some instances on data for one or more years during that interval. Thus, the multipliers presented below are crude because gross revenue may be one or more years removed from the year in which the purchase was completed.

Multipliers for property in the Study Area show two major characteristics — first, they appear to be quite low, and second, they reveal an extremely narrow range of variation (see Table 25). For all property combined, the median gross rent multiplier equaled 4.78.[27] Brownstones used as rooming houses showed a median ratio of gross revenue to price of 4.01, while old-law tenements and brownstones converted to multi-family units reveal slightly higher ratios of 4.32 and 4.35 respectively. The highest multipliers were found for elevator apartment houses. For structures of this type built subsequent to 1929, acquisition costs were 4.93 times gross income, while for elevator apartments built between 1901 and 1929, the ratio stood at 5.12. Data on the range of variation of the gross rent multiplier by type of structure are presented in the accompanying table.

The gross rent multiplier for the West Side is evidently lower than for other areas. This comparison is possible only for two types of dwellings - old-law tenements and elevator apartment houses. According to Winnick, the multiplier for old-law tenements in New York City averaged 4.6 in 1949, while Grebler's data present a ratio of 8.4 in Manhattan for the period 1945 to 1949.[28] The estimate of the comparable figure for property

27. This ratio is in accord with the gross rent multiplier (4.27) calculated by dividing the aggregate assessed value of taxable residential real estate ($62.7 million) by the total residential rent for the area ($14.7 million).

28. Louis Winnick, "Long Run Changes in Valuation of Real Estate by Gross Rents," *The Appraisal Journal,* October, 1952; *and Leo Grebler, Experience in Urban Real Estate Investment,* Columbia University Press, 1955.

in the Study Area is 4.32. Similarly, for elevator apartments, Winnick's data indicate that prices were 5.6 times gross rents, and Grebler's statistics yield an estimate of 6.3 for this measure. As cited above, depending

TABLE 25

GROSS RENT MULTIPLIERS FOR PROPERTY ACQUIRED 1950-55 BY TYPE OF PROPERTY

Type of Property	Multiplier (Median)	Range* Low	Range* High
Old-Law Tenement	4.32	3.26	6.88
Brownstone, multi-family	4.35	3.69	5.28
Brownstone, rooming house	4.01	2.16	9.42
Elevator Apt., built 1901-29	5.12	3.43	5.93
Elevator Apt., built after 1929	4.93	4.06	7.11
All Structures	4.78	2.16	9.42

* Five extreme cases have been omitted in order to present a more satisfactory measure of the span of the bulk of the cases.

upon the year of construction, elevator properties in the area showed a median multiplier of 4.93 or 5.12. These differences may be due in part to variations in net income, but in all likelihood they can largely be attributed to the uncertainties regarding future property income on the West Side.

Interviews with Specialists in the Area

In order to check the data and the conclusions presented in this chapter, a number of interviews were conducted with individuals and firms active in West Side real estate. In general they accepted as valid the adjusted data on yields, but had reservations regarding the calculations based upon operating statements as made to either the Tax Department or the Rent Control Commission.

In general, our informants indicated that the yield on investments is difficult to measure and the meaning of the resulting figures is subject to variations in interpretation. They submitted that the yield was dependent upon a number of factors, many of which were not isolated in the statistical summaries. Among these are the financial arrangements, the degree to which the owner participates in management, the risk attendant upon siutations in which rents are charged in excess of legal limits, and the time at which the property was acquired.

On the whole, informed real estate people in the area agreed that the yield on old-law tenements was usually low, and they attributed this to the existence of controlled rents at a time when operating costs were increasing. They also indicated that the returns on elevator apartment houses were more or less satisfactory, but that both net and gross incomes for structures of this type on side streets were somewhat lower than for similar buildings on Central Park West. They stated that this was not only due to the favorable location of the latter in relation to Central Park, but also because of changes in the character of the surrounding population in the side streets.

Perhaps the most interesting information is related to the brownstone rooming houses. For holders of some duration, we were informed, typical yields ranged between 25 and 30 percent on equity. If the property has been transferred within the past few years, however, it is likely that part of the income has been capitalized into price and the return on equity reduced to 15 or 20 percent. This is the return at which new middle-class FHA projects are traded. As a rule, however, prospective purchasers usually demand a net return of 20 to 25 percent, and it is only possible for new investors to achieve this yield if the actual rents collected reflect market demand rather than rent control. While returns on equity in rental housing generally are higher than on other forms of investment, 25 percent is unusually large, particularly in view of the low proportion of mortgage capital on West Side properties.

According to the experts' opinion, there are two types of operators of the brownstone rooming houses. The first consists of an individual who acquires a group of contiguous properties, resides on the premises and manages the operation; the second type is characteristically a small investor, new to the field of real estate, who has accumulated an equity of ten to fifteen thousand dollars in the course of a lifetime of savings. These persons may either have been workers or small business men. Typically they are absentee owners who live in other sections of the City.

Very frequently the rooming house is not operated by the owner, but by a prime tenant, who rents the entire structure and sublets accommodations. Some of the leases are of short duration, but the majority run for longer periods of time, characteristically ten or fifteen or twenty years. The typical lease provides the owner with about one-third of the gross rent at the time the lease is made. Out of this amount, the owner pays real estate taxes, fire insurance, and for maintenance and repair. The remaining two-thirds of the gross revenue is retained by the lessee for operating expenses and net income. In some cases the lease will provide that maintenance costs be met by the lessee.

The statements presented above represent a reconciliation of numerous accounts. For the most part, persons acquainted with the market agreed with each other and we have not reported any unusual statement or esoteric arrangement.

Conclusion

The picture that emerges from the various types of information presented in this chapter is neither clear nor uniform. Levels of income vary from moderate returns on old-law tenements and similar structures to acceptable returns on elevator apartment houses, and to extremely high returns on brownstone rooming houses. Moreover, the income from brownstone rooming houses is attributable more to overoccupancy and in some cases extra-legal rent payments than to the basic capacity of the property to return a satisfactory revenue within the limits imposed by social standards.

One may reason that the owners of old-law tenements will be more or less amenable to financial incentives that may be provided by a renewal program since their current incomes are not particularly satisfactory. In all likelihood, the renewal program will not affect elevator apartments *per se*, since these structures are usually well maintained and adequately serviced. The principal problem will arise among rooming houses, particularly of the brownstone type. The return from this type of structure appears to be extremely high, and it is unlikely that additional incentive can be offered by a renewal program. For properties of this type, there is little doubt but that other methods must be employed.

Chapter IX

THE MAJOR FINDINGS AND THEIR IMPLICATIONS

In many respects the real estate market on the West Side conforms with the general pattern of declining areas. There has been a shift in the use and occupancy of the buildings. Many of the residences, now old and run down, were previously occupied by a higher income group. Turnover is high and mortgages very difficult to obtain. On the other hand, half of the residential space is to be found in well-maintained, higher rent elevator structures, many of which fall into the top one percent of rental dwellings and are among the most luxurious in America.

In this chapter, the detailed findings of the study of the real estate market on the West Side are presented stripped of the detail, caution, and qualification that appear in the chapters in which they are originally presented. After submission of the summary, there is an attempt to evaluate some of the implications for the renewal of the area.

Characteristics of the Study Area

Between 1925 and 1956, the population of the area rose from 25,000 to 39,000 persons. One-third of the present population is of Puerto Rican birth or parentage. Five percent are Negro and three percent are other non-white.

The amount of living space in the area has remained virtually constant since the mid 1930's. The increase in population has been accommodated by the subdivision of existing dwelling units into smaller quarters, many of which are single rooms. Twenty-seven percent of the population live in overcrowded conditions.

There are 1,113 parcels of real estate in the project area, of which 1,037 are residential structures. Over 60 percent of these are brownstones, two-thirds of which are used as rooming houses. Thirty percent are old-law tenements, and six percent are elevator apartments of varying ages. Approximately ninety percent of all structures in the project area were built before the turn of the century. The majority of plots are 100 feet in depth and less than 20 feet in width. The average land coverage is 68 percent.

The area contains 491 business establishments which differ greatly in size, quality and activity. Many of these are small shops that provide little more than a meager income for the proprietor.

Real Estate Activity and Ownership

Between 1938 and 1943 there were approximately 50 bonafide real estate transactions a year in the project area. The peak of activity was reached in 1946, when approximately 150 properties were conveyed. Since 1947, transactions have averaged 100 per year. The rate of transfer is approximately twice as high as in Manhattan as a whole.

Properties turned over approximately 1.6 times, on the average, between 1938 and 1955, or one every twelve years. Three-fourths of all properties were traded at least once, and one-fourth were conveyed three or more times.

There has been a decline in the duration of ownership. In 1945, the median length of ownership was nine years, compared with seven years in 1956. Sixty percent of the properties have been acquired since the end of the war.

Forty-two percent of all properties are owned by individuals, 18 percent by two or more individuals, 30 percent by realty corporations, and 10 percent by estates, institutions, and others.

In 1956, 28 percent of all owners in the project area resided at the same address as the property, and an additional 25 percent lived on the West Side. The shift away from resident ownership is demonstrated by the fact that in 1945, 36 percent of all owners lived at the same address, and 19 percent more lived on the West Side.

Assessed Values and Property Prices

Total tax assessment in the project area is $72,500,000. Nine percent of the tax roll in this area is exempt, compared with almost 30 percent for Manhattan as a whole. Taxable values in the area today are only 8 percent above those of 1926.

Tax obligation in 1955-56 was $2,600,000. This amount which is approximately the same as in 1931, when the tax rate was $2.72, must be compared with the tax rate of $3.94 in 1955-56. The fact that the real estate tax levy on the area has remained virtually constant in the past thirty years has meant an ever-widening gap between tax revenues and expenditures in the area in view of the rise in general price levels, increases in municipal services, and the expansion of the resident population. Rough estimates show that real estate tax revenues have risen by 30 percent while the per capita municipal expenditure has increased 66 percent since the mid 1930's. In New York City real estate increased 89 percent, accompanied by a population rise of only eight percent.

Elevator apartment houses, which occupied a little more than 20 percent of the area, accounted for one-half of all the taxable assesssed values. Brownstones of all types aggregated 24 percent of assessed values, and old-law tenements (walk-ups) 21 percent. The average value varied widely. Elevator buildings constructed after 1929 averaged $935,000, and old-law tenements (walk-ups) approximated $45,000. Among brownstones, those used as rooming houses averaged only $21,500, while those converted to small multi-family apartment houses averaged $31,500, almost 50 percent higher than assessments for rooming houses. Moreover, assessed valuations of rooming houses declined by 13 percent in the past thirty years, while the multi-family brownstones increased 16 percent during that period.

Since 1926, the aggregate assessed value of land has dropped by 25 percent. Land values as a proportion of taxable assessments have shown a long and significant decline from 60 percent in 1926 to 44 percent thirty years later. Although part of the decline is a reaction to the inflated values of past years, some is attributable to uncertainty regarding the future of the area.

Total assessments by block range from $2.1 to $6.2 million. More than one-fifth of all taxable property in the area is located on Central Park West.

The index of real estate prices (1950 = 100) drifted downward from 75 in 1938 to 50 during the war years. Since the end of the war, the price index has more than doubled, reaching 114 in 1955. Market prices moved between 60 and 70 percent of assessed values in the pre-war period. tended to equality in the post-war years up to 1950, and then moved upward to a point 20 percent above assessed values in 1956.

Mortgage Financing

A study of the financing of bonafide transactions revealed that the required equity has increased from approximately one-fourth to more than one-third of purchase price in the past fifteen years. Purchasers of elevator buildings, however, still appear to be able to finance a considerable proportion of the consideration. For structures of this type, median equity moved between 16 and 19 percent and showed no discernible trend between the war and post-war years.

Between 1950 and 1955, one-half of the transactions required two or more mortgages in order to make up the difference between equity and consideration; in eight percent, three mortgages were required, and in a few cases four separate loans were necessary. In less than two percent of the cases, no mortgage financing was necessary.

Of the mortgages that accompanied property transactions between 1950 and 1955, 61 percent were existing mortgages taken over by the purchaser, 34 percent were purchase money mortgages, and only five percent were new mortgages.

Approximately $28.2 million in mortgages representing 954 loans were recorded on property in the area between 1950 and 1955. A little more than half, $16.7 million were new, refinanced, or purchase money mortgages, and the remaining $11.5 million represented extensions or consolidations. Of this total, less than $6 million in new mortgage money flowed into the area during the six-year period.

Property owners in the area depend heavily upon non-institutional sources for their financing. In the past six years, only one-sixth of the loans and less than one-third of the mortgage money came from financial institutions, including savings banks, commercial banks, insurance companies, and savings and loan associations. The remainder was obtained from individuals, real estate corporations, and similar sources.

Mortgage lending has been on the downswing, with the volume of recordings declining from $3.0 million in 1950 to $1.5 million in 1955, a contraction that cannot be entirely explained by variations in the capital and mortgage market, but is attributable to the recent changes that have taken place in the area.

Over one-half of the mortgages recorded carried an interest rate of five percent. The average, based on number of loans, was 5.03 percent, and 4.29 percent when weighed by dollar amount. Rates for first mortgages tended to be slightly lower and on junior liens slightly higher than the average, an expected variation.

Most loans required repayment in an unusually short period of time; 10 percent were on demand, and 35 percent carried a term of five years or less. Hardly any loans were for a period in excess of ten years. No data were available on amortization programs.

Individuals and firms active in one or another phase of the real estate market in the area confirmed the statistical findings, and in addition, reported that institutional funds were difficult to obtain even on the better properties, and almost impossible to secure for rooming house properties. Where loans are made by institutions, the interest rate is higher, period of repayment shorter, and mortgage ratios lower than on loans made in other areas. Because of the financial vacuum, many specialists, some of whom engage in sharp practices, have come into the area. As a rule, premiums are required by virtually all lenders, and vary from 10 to 30 percent of the face amount of the loan.

Income and Operating Experience

Gross residential rents in the area rose from $8 million in 1940 to $10 million in 1950 and to $15 million in 1956. While gross rents on the West Side doubled between 1940 and 1956, the BLS rent index for New York City rose by only 30 percent.

The increase in gross rents is due to a number of factors: the absorption of vacancies; some new construction; some increases in the rents of comparable dwellings. A considerable portion of the rise in gross rent, however, is attributable to the subdivision of unfurnished dwelling units into smaller furnished quarters. The occupants of low-quality and over-crowded brownstone rooming houses pay on the average $2.30 per square foot of space, while the well-maintained elevator apartments rent for $1.30 per square foot of space.

Net operating income, i. e., gross income minus real estate taxes and operating and maintenance expenditures, accounted for 30 to 36 percent of gross income. After adjusting the data for possible distortions or exaggerations, net operating income stood at 40 to 45 percent of gross income, a range which is in rough conformity with estimates prepared by the managers of real estate in the area and the property management division of the New York City Housing Authority.

Real estate taxes absorbed somewhat less than 20 percent of the rent dollar on the average. For old-law tenements these taxes constituted exactly 20 percent; for multi-family brownstone and elevator apartments, the ratio was 19 percent, and for brownstone rooming houses, it was 16 percent, the lowest of all the major property types. For the area as a whole, real estate taxes have declined as a proportion of residential rent from 27 percent in 1940, to 20 percent in 1950, to 17 percent in 1955-56.

On the basis of the reported data, net operating income constitutes approximately 8 percent of the original consideration and 10 percent when the calculation is based upon adjusted data. The adjusted data reveal that brownstone houses experience the highest rate of return based upon this measure. Structures of this type used for multi-family purposes earned 14 percent of consideration and those used for rooming houses 12 percent of consideration.

According to the adjusted figures, properties earned an average of

8.4 percent on assessed value in 1955-56. According to income and expenses figures provided by real estate managers and the New York City Housing Authority, the average of net operating income for current assessed value ranged from 10 to 14 percent.

Measures of the cash return on equity varied widely, depending on the source of data used. When the reported records were employed in the calculation, cash return after debt service as a percent of equity ranged between 3 and 14 percent. When the data were adjusted, the range was 11 to 24 percent. Real estate managers' estimates showed a still higher level of return, running from 23 to 42 percent, depending upon the type of structure. In virtually all cases, regardless of the source of the estimate, brownstone houses showed the highest rate of return.

Special analysis was undertaken to investigate the relationship between the income and expenditures pattern and the quality of the structure. Two groups of old-law tenements were selected — the first consisting of buildings that were structurally sound and well maintained, and the second consisting of those that were in poor condition and indequately maintained. All of the buildings studied were used as apartment houses; there was no single-room occupancy. The income and expenses data for these two groups of buildings showed a striking degree of similarity, in gross income, operating ratios, and expenditures for specific items. One major exception were real estate taxes, which absorbed 21 cents for the good properties and only 15 cents for properties of lower quality. Expenditures for paint, repairs, and maintenance were generally *higher* for the structures which were classified as poorly maintained. For these two groups of buildings, variations in quality cannot be explained by differences in maintenance expenditures for a recent period. The low quality of the poor structures may be the result of an accumulation of inadequate maintenance or of inefficient management, or of improper care of the property by the residents.

The gross rent multipliers, i. e., the ratio of total consideration to gross rents, for properties transacted between 1950 and 1955, showed two characteristics. First, they appear to be quite low, and second, they show a very narrow range of variation. For all properties combined, the multipliers equaled slightly less than five. Brownstone rooming houses commanded approximately four times the gross rent, while elevator apartment houses averaged five times gross rent.

A Note on Implications

The need for the rehabilitation of the area is clear, and the effectuation would indeed be difficult if not impossible were it not for the various Federal, State, and City aids available for the task. The results of the population study conducted by Audits and Surveys Company reveal the existence of housing conditions in the area that are reminiscent of the slums of the nineteenth century. One-third of the households are overcrowded, and over one-third of the total stock of dwelling units lacks adequate sanitary facilities. The problems of the area are compounded by the rapid influx of large numbers of Puerto Ricans, whose adaptation to a highly complex urban environment is hindered by language difficulties and low income.

Further indication of the urgency of the problem is seen in the changes that have occurred in the municipal costs and revenues associated with the area. In the past twenty years, expenditures on local population have increased much faster than the real estate tax revenue derived from the area, while the reverse is true for the City as a whole. The proportion of Manhattan's real estate levy derived from the area has moved downward from .99 to .87 percent, at the same time that the City is collecting a sharply diminishing share of the residential rent dollar — 17 cents in 1955 compared with 25 cents in 1940. From all indications, the downward movement of the real estate tax situation will continue unabated unless drastic action is taken to avert it.

This presentation is not intended to suggest that every area in the City must pay its own way. But if areas are to make differential contributions to the municipal coffers, this should be a product of public policy and not of historical accident.

Of all the aspects of the renewal program, attempts to rehabilitate existing buildings by correcting structural defects, modernizing equipment, improving the design of the building space, or reducing land coverage will undoubtedly encounter the most difficulty. Among those properties where the need for such activity is greatest, an increasing proportion of the property owners are interested in high short-term returns rather than long-term investment earnings. In fact, many of the recent purchasers were attracted to the area because of the availability of such opportunities. Moreover, the costs of even a modest rehabilitation run high. And in view of the high present earnings of many of these properties, particularly those that have single-room occupancy, it is likely that rehabilitation will mean reduced income, particularly if occupancy standards are observed.

But undoubtedly the most serious problem is the decline in the amount of mortgage money flowing into the area and the increasing stringency of mortgage terms. Loan to value ratios are low, interest rates are high, premiums commonplace, duration of loan short, and reliance on junior financing heavy. In the past five years, there has been a growing reluctance on the part of financial institutions to extend mortgage credit in the area. At the same time there has been a rise in the activities of individuals, specialists in financing property in declining areas, and other unorganized sectors of the market whose resources are not adequate to meet the financial requirements of the renewal program.

In view of these circumstances, it is quite obvious that special efforts and incentives will be required in order to enlist the participation of the individuals and institutions that must be party to the renewal effort. In this process considerable reliance must be placed upon the available governmental aids. A full-scale renewal effort under the Housing Act of 1954 offers several strategic types of Federal assistance in the form of loans and grants, liberalized FHA mortgage insurance for new housing and for the rehabilitation of existing structures, and low-rent public housing. In addition, the Limited Profit Housing Companies Act has made it possible for New York City to finance up to ninety percent of the cost of constructing new apartments sponsored by limited profit companies for middle income families. The City can also provide other aids and incentives, including tax remission and code enforcement.

Renewal activity in the area need not be limited to improving the quality of the housing supply, but can also include the provision of additional open space, improvement in the school situation, elimination of overcrowding, and a general elevation in the level of community services available to the resident population.

The availability of government-guaranteed loans and the demonstration on the part of the City that public funds will be used for the general improvement of the area will go a long way in increasing the confidence of institutional mortgage lenders. Tax concessions similar to those offered landlords who comply with the efforts to remove health and fire hazards can be extended and liberalized for landlords who undertake a general rehabilitation of their structures. The Rent Control Commission can reexamine the basis for allowable rent increases to make sure that a rent commensurate with new investment is forthcoming.

Special attempts to enforce the occupancy laws would have a three-fold beneficial result. First, it would foster a level of occupancy more in keeping with modern standards of health and dignity; second, it would reduce the return to those landlords who derive part of their income from the overoccupancy of dwelling quarters and thus make them more amenable to participation in the renewal effort; and third, it would eliminate some of the misgivings that financial institutions have about making loans on property in the area. But despite all the financial incentives that can be brought to muster, there is little likelihood that the voluntary participation of the rooming house operator will be forthcoming, and this problem will undoubtedly require special attention.

In the past, many areas in cities throughout the country have been chosen for redevelopment more because of their blighted or decayed condition than their suitability for renewal. And in fact, many cities have found themselves in the embarrassing position of having a cleared site of dubious value that can be sold only with great difficulty even after a considerable write-down.

Fortunately, this is not the case here. Manhattan's West Side is one of the most desirable areas in the entire city. Its location has few peers, situated as it is within a few minutes of the central district of the greatest city in the world. The area itself contains a variety of facilities and amenities that can satisfy virtually all the requirements of urban life in a central city. Moreover, it is one of the few areas that can attract all sectors of the population. Despite the changes that have occurred in recent years, the vacancy ratio in the luxury apartment houses is less than one percent, and vacant dwellings rarely remain on the market for more than a few days. In all, there is little question that a properly executed renewal effort will be accompanied by an augmented demand for dwelling space in the area.

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Alterations, 1926 - 1955 138

Appendix A

DETAILED STATISTICAL TABLES

Table A-1

Inventory of Properties in West Side Study Area

Type of Property		Number of Bldgs.	Percent
Residential Structures			
Old-Law Tenement (Walk-Up)		267	25.7
Old-Law Tenement (Single Room Occupancy)		37	3.6
New-Law Tenement (Walk-Up)		4	.4
Brownstone, one and two family		79	7.6
Brownstone, multi-family		158	15.2
Brownstone, rooming house		428	41.3
Old-Law Tenement with elevator		14	1.4
New-Law Tenement with elevator		28	2.7
Post 1929 Elevator Building		22	2.1
Total		1,037	100.0
Non-Residential Structures			
Total		71	
Vacant Parcels and Vacant Residential Structures			
Vacant Parcels	3		
Vacant Structures	2		
Total		5	
Grand Total		1,113	

Source: Map furnished by City Planning Commission and survey made by Department of Housing.

Table A-2

Period of Construction for Structures in West Side Study Area

Year	Number	Percent
Prior to 1901	983	89.1
1901 - 1909	60	5.4
1910 - 1919	10	.9
1920 - 1929	25	2.3
1930 - 1939	12	1.1
1940 - 1945	8	.7
1946 - present	5	.5
Total	1,103	100.0

Excludes 3 vacant lots, 2 vacant structures and 5 non-residential structures for which data on year built was not available.

Table A-3

Distribution of Structures by Number of Stories in West Side Study Area

Number of Stories	Number	Percent of Total
1	14	1.3
2	10	.9
3	355	32.0
4	316	28.5
5	347	31.3
6	25	2.3
7 or more	41	3.7
Total	1,108*	100.0

* Excluding two vacant brownstone structures.

Table A-4

Distribution of Floor Area in Square Feet by Type of Structure in West Side Study Area

Type of Structure*	No. of Sq. Ft.	% of Total
Old-Law Tenement (walk-up)	2,851,790	22.5
Old-Law Tenement (single-room occupancy)	403,260	3.2
New-Law Tenement (walk-up)	79,210	0.6
Brownstone, one and two family	247,160	1.9
Brownstone, multi-family	677,990	5.3
Brownstone, rooming house	1,696,300	13.4
Old-Law Tenement with elevator	342,480	2.7
New-Law Tenement with elevator	2,205,370	17.4
Post-1929 Elevator Building	3,269,230	25.8
Non-Residential Structure	909,720	7.2
Total Floor Area	12,682,510*	100.0

* Including two vacant residential structures (brownstones.)

Table A-5

Distribution of Real Estate Parcels in West Side Study Area According to Plot Dimensions

Frontage	Depth under 99'	99' - 100'11"	101' & over	Total
under 18'	15	200	2	217
18'-18'11"	8	174	—	182
19'-19'11"	1	88	—	89
20'-21'11"	10	227	1	238
22'-23'11"	5	8	—	13
24'-25'11"	38	101	—	139
26'-27'11"	—	45	1	46
28'-29'11"	2	16	1	19
30'-39'	17	68	4	89
40'-59'	—	21	2	23
60'-79'	—	7	7	14
80'-99'	—	6	7	13
100' & over	—	6	25	31
Total	96	967	50	1,113

Table A-6

Distribution of Real Estate Parcels by Plot Area in West Side Study Area

Square Feet	Number	Percent
under 999	2	.2
1,000 - 1,499	29	2.6
1,500 - 1,999	482	43.3
2,000 - 2,499	270	24.3
2,500 - 2,999	154	13.8
3,000 - 3,999	62	5.6
4,000 - 4,999	16	1.4
5,000 - 7,499	35	3.2
7,500 - 9,999	25	2.2
10,000 - 14,999	24	2.2
15,000 - 19,999	5	.4
20,000 - 24,499	4	.4
25,000 - over	5	.4
Total	1,113	100.0

Table A-7

Total Plot Area Occupied by Various Types of Structures in West Side Study Area

Type of Structure*	No. of Sq. Ft.	Percent Total		Percent Residential Only	
Old-Law Tenement (walk-up)	718,100	25.5		30.0	
Old-Law Tenement (single room occupancy)	105,220				
New-Law Tenement (walk-up)	20,120	.6		.7	
Brownstone, one and two family	154,040 *	38.3		45.2	
Brownstone multi-family	301,370				
Brownstone, rooming house	782,450				
Old-Law Tenement with elevator	76,210	2.4	20.5	2.8	24.1
New-Law Tenement with elevator	274,750	8.5		10.0	
Post-1929 Elevator Building	310,144	9.6		11.3	
Non-Residential Structure	488,510	15.1		—	
Total	3,230,914*	100.0		100.0	
	= 74.17 acres				

* Includes area of two vacant residential structures.

Table A-8

Distribution of Building Area as a Percent of Plot Area

Percent	Number	Percent of Total
34.99 and under	6	.5
35 - 39.99	8	.7
40 - 44.99	3	.3
45 - 49.99	39	3.5
50 - 54.99	121	10.9
55 - 59.99	200	18.1
60 - 64.99	175	15.8
65 - 69.99	137	12.4
70 - 74.99	78	7.0
75 - 79.99	170	15.3
80 - 84.99	75	6.8
85 - 89.99	27	2.4
90 - 94.99	27	2.4
95 - 100.00	42	3.8
Total	1,108*	100.0

* excludes 3 vacant lots and 2 vacant structures

Table A-9

Business Establishments by Number and Floor Area in West Side Study Area

Type of Establishment	Number	Floor Area (Sq. Ft.)
Food, Liquor, and Drug Stores	126	92,830
Shoe Repair and Clothing Service	89	30,650
House Outfitting and Repair	57	38,630
Eating and Drinking Places	50	33,895
General Merchandise, Jewelry, Furniture and Appliances	37	24,750
Apparel	29	8,790
Personal Service	28	11,315
Banks and Offices	24	19,370
General Commercial	20	60,525
Commercial Services	10	11,370
Vacant Stores	8	7,880
Garages and Filling Stations	7	88,150
Miscellaneous Manufacturing and Warehousing	6	70,580
Total Number of Establishments	491	498,735

Table A-10

Type of Owner as of January 1, 1945 by Type of Property in West Side Study Area

Type of Property	Ind.	Two or more	Realty Corp.	Financial Inst.	Non-Finan. Inst.	Estates	Total
Old-Law Tenement (Walk-Up)	76	26	110	8	1	46	267
Old-Law Tenement (Single Room occupancy)	10	—	27	—	—	—	37
New-Law Tenement (Walk-Up)	1	1	1	—	—	1	4
Brownstone, one & two family	47	10	4	1	2	15	79
Brownstone, multi-family	82	14	40	4	4	16	160
Brownstone, rooming house	266	58	41	10	7	44	426
Old-Law Tenement with elevator	5	1	8	—	—	—	14
New-Law Tenement with elevator	3	2	17	1	1	4	28
Post 1929 Elevator Building	3	—	14	2	3	—	22
Non-Residential Structure	15	6	20	2	27	3	73
Total	508	118	282	28	45	129	1110

Table A-10 (continued)

Percentage Distribution.

Type of Property	Ind.	Two or more	Realty Corp.	Financial Inst.	Non-Finan. Inst.	Estates	Total
Old-Law Tenement (Walk-Up)	28.5	9.7	41.2	3.0	0.4	17.2	100.0
Old-Law Tenement (Single Room occupancy)	27.0	—	73.0	—	—	—	100.0
New-Law Tenement (Walk-Up)	25.0	25.0	25.0	—	—	25.0	100.0
Brownstone, one & two family	59.5	12.7	5.1	1.3	2.5	19.0	100.0
Brownstone, multi-family	51.3	8.7	25.0	2.5	2.5	10.0	100.0
Brownstone, rooming house	62.4	13.6	9.6	2.3	1.6	10.3	100.0
Old-Law Tenement with elevator	35.7	7.1	57.1	—	—	—	100.0
New-Law Tenement with elevator	10.7	7.1	60.7	3.6	3.6	14.3	100.0
Post-1929 Elevator Building	13.6	—	63.6	9.1	13.6	—	100.0
Non-Residential Structure	20.5	8.2	47.4	2.7	37.0	4.1	100.0
Total	45.8	10.6	24.5	2.5	4.1	11.6	100.0

Table A-11

Type of Owner as of January 1, 1956 by Type of Property in West Side Study Area

Type of Property	Ind.	Two or more	Realty Corp.	Finan. Inst.	Non-Finan. Inst.	Estates	Total
Old-Law Tenement (walk-up)	77	40	127	—	—	23	267
Old-Law Tenement (single room occupancy)	8	5	24	—	—	—	37
New-Law Tenement (walk-up)	—	1	3	—	—	—	4
Brownstone, one & two family	43	21	9	—	—	6	79
Brownstone, multi-family	80	31	47	—	2	—	160
Brownstone, rooming house	235	91	89	—	10	1	426
Old-Law Tenement with elevator	2	—	12	—	—	—	14
New-Law Tenement with elevator	3	4	21	—	—	—	28
Post-1929 Elevator Building	3	—	17	—	2	—	22
Non-Residential Structure	15	10	20	2	26	—	73
Total	466	203	369	2	40	30	1,110

TABLE A-11 (CONTINUED)

PERCENTAGE DISTRIBUTION.

Type of Property	Ind.	Two or more	Realty Corp.	Finan-cial Inst.	Non-Finan. Inst.	Estates	Total
Old-Law Tenement (walk-up)	28.8	15.0	47.5	—	—	8.6	100.0
Old-Law Tenement (single room occupancy)	21.6	13.5	64 9	—	—	—	100.0
New-Law Tenement (walk-up)	—	25.0	75.0	—	—	—	100.0
Brownstone, one & two family	54.4	26.6	11.4	—	—	7.6	100.0
Brownstone, multi-family	50.0	19.4	29.4	—	1.3	—	100.0
Brownstone, rooming house	55.2	21.4	20.9	—	2.3	0.2	100.0
Old-Law Tenement with elevator	14.3	—	85.7	—	—	—	100.0
New-Law Tenement with elevator	10.7	14.3	75.0	—	—	—	100.0
Post-1929 Elevator Building	13.6	—	77.3	—	9.1	—	100.0
Non-Residential Structure	20.5	13.7	20.5	2.7	35.6	—	100.0
Total	42.0	18.3	33.2	0.2	3.6	2.7	100.0

Table A-12

Place of Residence of Property Owners as of January 1, 1945, by Type of Property in West Side Study Area

Type of Property	Same Address	West Side	Other M'Htn Address	N. Y. Metro. Area	All Other Areas	Total
Old-Law Tenement (walk-up)	53	66	105	42	1	267
Old-Law Tenement (single room occupancy)	12	7	13	4	1	37
New-Law Tenement (walk-up)	—	—	1	3	—	4
Brownstone, one & two family	48	9	18	3	1	79
Brownstone, multi-family	59	30	51	20	—	160
Brownstone, rooming house	192	78	115	33	8	426
Old-Law Tenement with elevator	1	3	7	2	1	14
New-Law Tenement with elevator	4	—	21	2	1	28
Post-1929 Elevator Building	2	3	13	4	—	22
Non-Residential Structure	28	16	23	6	—	73
Total	399	212	367	119	13	1,110

Table A-12 (continued)

Percentage Distribution

Type of Property	Same Address	West Side	Other M'Htn Address	N. Y. Metro. Area	All Other Areas	Total
Old-Law Tenement (walk-up)	20.0	24.7	39.3	15.7	0.4	100.0
Old-Law Tenement (single room occupancy)	32.4	18.9	35.1	10.8	2.7	100.0
New-Law Tenement (walk-up)	—	—	25.0	75.0	—	100.0
Brownstone, one & two family	60.8	11.4	22.8	3.8	1.3	100.0
Brownstone, multi-family	36.9	18.8	31.9	12.5	—	100.0
Brownstone, rooming house	45.1	18.3	27.0	7.7	1.9	100.0
Old-Law Tenement with elevator	7.1	21.4	50.0	14.2	7.1	100.0
New-Law Tenement with elevator	14.3	—	75.0	7.1	3.6	100.0
Post-1929 Elevator Building	9.1	13.6	59.1	18.2	—	100.0
Non-Residential Structure	38.4	21.9	31.5	8.2	—	100.0
Total	36.0	19.1	33.1	10.7	1.2	100.0

TABLE A-13

PLACE OF RESIDENCE OF PROPERTY OWNERS AS OF JANUARY 1, 1956 BY TYPE OF PROPERTY IN WEST SIDE STUDY AREA

Type of Property	Same Address	West Side	Other M'Htn Address	N. Y. Metro. Area	All Other Areas	Total
Old-Law Tenement (walk-up)	53	72	81	60	1	267
Old-Law Tenement (single room occupancy)	4	15	9	9	—	37
New-Law Tenement (walk-up)	—	1	3	—	—	4
Brownstone, one & two family	40	14	16	8	1	79
Brownstone, multi-family	32	54	36	36	2	160
Brownstone, rooming house	151	92	66	114	3	426
Old-Law Tenement with elevator	1	3	7	3	—	14
New-Law Tenement with elevator	3	5	14	6	—	28
Post-1929 Elevator Building	2	2	9	9	—	22
Non-Residential Structure	24	21	20	7	1	73
Total	310	279	261	252	8	1110

TABLE A-13 (CONTINUED)

PERCENTAGE DISTRIBUTION.

Type of Property	Same Address	West Side	Other M'Htn Address	N. Y. Metro. Area	All Other Areas	Total
Old-Law Tenement (walk-up)	19.9	27.0	30.3	22.5	0.4	100.0
Old-Law Tenement (single room occupancy)	10.8	40.5	24.3	24.3	—	100.0
New-Law Tenement (walk-up)	—	25.0	75.0	—	—	100.0
Brownstone, one & two family	50.6	17.7	20.3	10.1	1.3	100.0
Brownstone, multi-family	20.0	33.8	22.5	22.5	1.3	100.0
Brownstone, rooming house	35.4	21.6	15.5	26.8	0.7	100.0
Old-Law Tenement with elevator	7.1	21.4	50.0	21.4	—	100.0
New-Law Tenement with elevator	10.7	17.9	50.0	21.4	—	100.0
Post-1929 Elevator Building	9.1	9.1	40.9	40.9	—	100.0
Non-Residential Structure	32.9	28.8	27.4	9.6	1.4	100.0
Total	27.9	25.1	23.5	22.7	0.7	100.0

Table A-14

Assessed Values in West Side Study Area, 1926 to 1955-56.
(Amounts in $000)

	Taxable Assessments			Exempt Assessments		
Year	Improve-ments	Land	Total	Improve-ments	Land	Total
1926	$24,979.7	$37,784.0	$62,763.7	$1683.0	$2632.0	$4315.0
1931	37,519.0	55,932.1	93,451.1	1935.0	3676.0	5611.0
1936	36,733.5	37,356.6	74,090.1	1933.5	2580.0	4513.5
1940 1	29,368.0	39,917.9	69,285.9	1815.6	3107.2	4922.8
1945-6	33,482.0	29,225.0	62,707.0	2993.5	2934.1	5927.6
1950-1	35,855.0	29,697.1	65,552.1	3574.4	2997.9	6572.2
1955-6	37,403.6	28,780.1	66,183.7	3423.2	2915.0	6338.2

	Total Assessments		
Year	Improvements	Land	Total
1926	$26,662.7	$40,416.0	$67.078.7
1931	39,454.0	59,608.1	99,062.1
1936	38,667.0	39,936.6	78,603.6
1940-1	31,183.6	43,025.1	74,208.7
1945-6	36,475.5	32,159.1	68,634.6
1950-1	39,429.4	32,695.0	72,124.3
1955-6	40,826.8	31,695.1	72,521.9

Table A-15

Tax Levy, Tax Collections, and Tax Rate, 1926 to 1955-56

Year	Tax Levy ($000)	Percent Uncollected	Percent of Manhattan	Manhattan Tax Rate
1926	$1,701	not available	.93	$2.71
1931	2,542	not available	.99	2.72
1936	2,000	not available	.99	2.70
1940-1	2,065	not available	.99	2.98
1945-6	1,768	*	.98	2.82
1946-7	1,800	*	.98	2.86
1947-8	1,977	*	.97	3.01
1948-9	1,965	*	.95	2.97
1949-50	1,953	*	.92	2.97
1950-1	2,116	*	.92	3.22
1951-2	2,119	*	.90	3.27
1952-3	2,228	.04	.89	3.39
1953-4	2,430	.12	.88	3.43
1954-5	2,494	.47	.88	3.75**
1955-6	2,608	1.18	.87	3.94

* Less than .005

** plus $.27 supplementary tax.

Source: Levy for 1926 to 1940-1 estimated by multiplying tax rate times assessed values. Data 1945-6 to 1955-6 from special tabulation prepared by New York City Finance Department.

Table A-16

Consideration as a Percent of Assessed Value in Year of Purchase 1938 to 1956.

West Side Study Area and Manhattan

Year	West Side Study Area Median	Manhattan Mean
1938	67.5	79.4
1939	57.5	75.5
1940	64.4	72.6
1941	66.3	65.8
1942	54.0	63.8
1943	49.4	63.7
1944	58.5	69.7
1945	66.9	79.7
1946	89.9	96.8
1947	102.1	100.9
1948	95.5	97.6
1949	101.4	94.6
1950	101.4	99.3
1951	107.3	104.2
1952	109.9	107.1
1953	116.0	108.3
1954	108.1	109.0
1955	109.5	118.6
1956 (6 months)	121.3	—

Source Manhattan: Real Estate Board of New York

Table A-17

Consideration as a Percent of Assessed Value in Year of Purchase Medians for Selected Property Types. West Side Study Area. 1938 to 1956

Date	Old-Law Tenements	Brownstones 1 & 2 family	Brownstones multi-family	Brownstones rooming house	Elevator Buildings	All Types
1938-39	*	*	*	—	*	63
1940-44	65	42	50	57	63	60
1945-49	80	105	98	89	85	92
1950-54	91	110	106	115	104	109
1955-56	86	*	103	115	*	110

* Median not calculated. Insufficient number of cases. These cases, however, are included in the calculation of the ratio for all cases combined.

Table A-18

Assessed Value of Identical Groups of Properties, 1926 to 1955-56

(Amounts in $000)

No. of Cases	Type of Property	1926 Land	1926 Improvements	1926 Total	1936 Land	1936 Improvements	1936 Total
258	Old-Law Tenement (walk-up)	$8235.0	$4649.0	$12974.0	$9793.0	$3403.5	$13196.5
37	Old-Law Tenement (single room occup.)	937.5	715.0	1652.5	1017.0	559.5	1576.5
4	New-Law Tenement (walk-up)	173.0	174.0	347.0	212.0	78.0	290.0
80	Brownstone, (1 & 2 family)	1231.5	492.5	1724.0	1120.0	387.0	1507.0
158	Brownstone (multi-family)	2826.0	1451.0	4277.0	2951.0	1123.0	4074.0
421	Brownstone, rooming house	7083.8	3301.2	10385.0	6993.5	2521.5	9515.0
14	Old-Law Tenement with elevator	822.5	752.5	1575.0	1126.0	665.0	1791.0
28	New-Law Tenement with elevator	2509.3	5594.7	8104.0	4910.0	9913.0	14823.0
61	Non-Residential Structure	2800.5	3280.5	6081.0	3527.5	3719.0	7246.5
	Total	$26709.1	$20410.4	$47119.5	$31650.0	$22369.5	$54019.5

Table A-18 (continued)

Assessed Value of an Identical Group of Properties, 1926 to 1955-56

No. of Cases	Type of Property	1945-46			1955-56		
		Land	Improve-ments	Total	Land	Improve ments	Total
258	Old-Law Tenement (walk-up)	$7711.0	$3061.3	$10772.3	$7566.0	$3783.5	$11349.5
37	Old-Law Tenement (single room occup.)	841.5	516.5	1358.0	849.0	880.0	1729.0
4	New-Law Tenement (walk-up)	170.0	106.0	276.0	166.0	125.0	291.0
80	Brownstone, (1 & 2 family)	896.4	277.0	1173.4	901.0	531.0	1432.0
158	Brownstone (multi family)	2262.2	1053.0	3315.2	2262.0	2702.5	4964.5
421	Brownstone (rooming house)	5538.0	2102.0	7640.0	5539.5	3541.0	9080.5
14	Old-Law Tenement with elevator	823.0	635.5	1485.5	793.0	765.0	1558.0
28	New-Law Tenement with elevator	3736.5	7559.0	11295.5	3735.0	7422.0	11157.0
61	Non-Residential Structure	2551.0	2380.9	4931.9	2691.0	3147.0	4838.0
	Total	$24529.6	$17691.2	$42220.8	$24502.5	$22897.0	$47399.5

Table A-18 (continued)

Changes in Assessed Value of an Identical Group of Properties, 1926 to 1955-56.

Percent Change - 1955-56/1926

No. of Cases	Type of Property	Land	Improvement	Total
258	Old-Law Tenement (walk-up)	90.9	81.4	87.5
37	Old-Law Tenement (single room occupancy)	90.5	123.1	104.6
4	New Law Tenement (walk-up)	96.0	71.8	83.8
80	Brownstone (1 & 2 family)	73.2	107.8	83.1
158	Brownstone (multi-family)	80.0	186.3	116.1
421	Brownstone, rooming house	78.2	107.3	87.4
14	Old-Law Tenement with elevator	96.4	101.6	98.9
28	New-Law Tenement with elevator	148.8	132.7	137.7
61	Non-Residential Structure	96.1	98.1	96.0
	Total	91.7	112.2	100.6

Table A-19

Assessed Values by Block - 1955-56 and 1926.
(Amounts in $000)

Block No.	1955-56 Taxable	1955-56 Exempt	1955-56 Total	1926 Taxable	1926 Exempt	1926 Total
1201	$4333.0	$30.0	$4363.0	$3965.0	$ —	$3965.0
1202	2990.0	429.0	3419.0	4180.0	34.0	4214.0
1203	3825.0	28.0	3853.0	3192.0	—	3192.0
1204	6234.0	11.0	6245.0	3791.5	—	3791.5
1205	4699.1	—	4699.1	4076.1	—	4076.1
1206	4486.5	—	4486.5	3989.0	—	3989.0
1207	3416.5	126.0	3542.5	4092.0	—	4092.0
1208	4380.5	—	4380.5	3135.0	—	3135.0
1209	4455.7	280.5	4736.2	3002.6	343.0	3345.6
1218	2219.8	4.3	2224.1	2673.0	—	2673.0
1219	1852.5	475.0	2327.5	3447.5	440.0	3887.5
1220	2371.0	205.0	2576.0	2433.0	285.0	2718.0
1221	1936.1	109.9	2046.0	2642.0	330.0	2972.0
1222	1671.0	1185.5	2856.5	1343.5	1293.0	2636.5
1223	1664.0	2505.0	4169.0	2556.5	762.0	3318.5
1224	3474.0	—	3474.0	2561.5	—	2561.5
1225	2381.5	203.0	2584.5	3118.0	16.0	3134.0
1226	2545.5	—	2545.5	3329.5	—	3329.5
1832	3822.0	611.0	4433.0	2878.0	700.0	3578.0
1851	3426.0	135.0	3561.0	2358.0	112.0	2470.0
Total	$66183.7	$6338.2	$72521.9	$62763.7	$4315.0	$67078.7

Table A-20

Taxable Assessed Value by Street
(Amounts in $000)
1955-56

Street	Land	Improvements	Total
87 (1 side)	$1160.0	$ 759.3	$1919.3
88	1630.0	1606.0	3236.0
89	1789.5	1780.5	3570.0
90	1752.8	2125.2	3878.0
91	1373.6	933.0	2306.6
92	1311.5	1637.0	2948.5
93	1283.5	2000.5	3284.0
94	1670.5	1500.5	3171.0
95	1623.0	2085.6	3708.6
96	2662.7	4783.1	7445.8
97 (1 side)	363.5	665.5	1029.0
Amsterdam (1 side)	2473.5	3337.6	5811.1
Columbus	4190.5	1715.5	5906.0
Central Park West (1 side)	5492.5	12377.9	17870.4
Total	$28777.1	$37307.2	$66084.3

Note: Corner properties included on the avenues.

Table A-21

Ratio of Equity to Consideration for Properties Acquired 1938-1956. Percent of Total Bonafide Conveyances. West Side Study Area

		Ratio of Equity to Consideration						
Period	Total	0	1-19	20-39	40-59	60-79	80-99	100
1938-39	100.0	3.7	29.6	55.6	—	—	—	11.1
1940-44	100.0	.9	41.7	32.4	11.1	2.8	—	11.1
1945-49	100.0	.6	15.5	46.5	27.0	5.2	—	5.2
1950-54	100.0	1.4	13.2	51.4	25.0	6.2	—	2.8
1955-56	100.0	1.0	24.1	45.5	23.2	5.1	—	1.1
Total	100.0	1.1	21.1	46.7	22.1	5.0	—	4.0

Table A-22

Number of Mortgages per Conveyance by Type of Property 1950-55

Type of Property	No. of Trans.	No. of Mort.	Mort. per Trans.	% Trans. with 2 or more mortgages
Old-Law Tenement (Walk-Up)	94	158	1.7	56
Old-Law Tenement (Single Room occupancy)	16	26	1.6	50
New-Law Tenement (Walk-Up)	5	6	1.2	20
Brownstone, one & two family	39	47	1.2	44
Brownstone, multi-family	135	235	1.7	67
Brownstone, rooming house	289	457	1.6	54
Old-Law Tenement with elevator	8	18	2.3	75
New-Law Tenement with elevator	19	31	1.6	58
Post-1929 Elevator Building	9	17	1.9	78
Non-Residential Structure	19	24	1.3	26
Total	633	1019	1.6	55

Table A-23

Percent Distribution of Type of Mortgage by Type of Property West Side Study Area, 1950-55

Type of Mortgage	Old-Law Tenement (walk-up)	Old-Law Tenement (single rm. occupancy)	Brown stone 1 & 2 family	Brown-stone multi-family	Brown stone rooming house	Elevator Buildings
New	2.5	—	13.0	3.4	4.9	10.4
Prior	69.0	77.7	37.0	64.4	56.2	67.2
PM	28.5	22.3	50.0	32.2	38.9	22.4
Total	100.0	100.0	100.0	100.0	100.0	100.0

Table A-24

Number and Amount of Mortgages Recorded by Type of Mortgagee (Exclusive of Extensions and Consolidations) West Side Study Area, 1950-55 (Amounts in $000)

Type of Mortgagee	Number	Amount
Savings Bank	71	$2286
Bank and Trust Co.	22	1669
Insurance Co.	5	723
Savings and Loan Assoc.	20	266
Real Estate Co.	93	3333
Individual	437	7318
Investment Funds	9	100
Others	9	694
Total	766	$16389

Table A-25

Interest Rates for New and Purchase Money Mortgages by Priority of Lien West Side Study Area, 1950-55 (Amounts in $000)

Interest Rate	Total*		1st Mortgages		Jr. Mortgages	
	No.	Amt.	No.	Amt.	No.	Amt.
under 4.0%	10	$2065	5	$1938	5	$82
4.0 - 4.49	45	2764	31	2580	13	149
4.5 - 4.99	109	2604	76	1866	32	718
5.0 - 5.49	362	5279	150	2240	212	3039
5.5 - 5.99	25	349	16	221	9	128
6.0	130	1133	35	343	94	783
Other	85	2195	44	1326	40	857
Total	766	$16389	357	$10559	405	$5756
Average Rate	5.03	4.29	4.90	4.30	5.17	5.04

* Total includes four mortgages amounting to $74,000, for which the interest rate was unknown.

Table A-26

Number and Amount of Mortgages Recorded (Exclusive of Extensions and Consolidations) by Term and Type of Mortgage, West Side Study Area, 1950-55 (Amounts in $000)

Term	New Mortgages		Purchase Money Mortgages	
	No.	Amt.	No.	Amt.
Demand	25	$179	2	$ 25
Less than 5 years	87	885	56	445
5 - 9 years	56	502	165	2182
10 plus years	76	1931	121	5210
Not given	116	2196	62	2837
Total	360	$5693	406	$10699

Table A-27

Number and Amount of Mortgages Recorded (Exclusive of Extentions and Consolidations) by Type of Property, West Side Study Area, 1950-55 (Amounts in $000)

Type of Property	Number	Amount	Average
Old-Law Tenement (walk-up)	117	$1929	$16.5
Old--Law Tenement (single room occupancy)	20	425	21.3
New-Law Tenement (walk-up)	6	257	42.8
Brownstone, one & two family	51	391	7.7
Brownstone multi-family	187	2058	11.0
Brownstone, rooming house	303	2821	9.3
Old-Law Tenement (with elevator)	12	437	36.4
New-Law Tenement (with elevator)	16	1852	115.8
Post-1929 Elevator Building	22	4945	224.8
Non-Residential Structure	28	1242	44.4
Total	766	$16389	$21.4

Table A-28

Expense Items as a Percent of Median Gross Income by Type of Property

Expense Item	Reported	Adjusted	Estimated by Property Managers High	Estimated by Property Managers Low	Estimated by N.Y.C.H.A.
			Old-Law Tenements (Walk-ups)		
Real Estate Taxes	19.6	19.6	14.9	14.9	25.0
Utilities	3.6	3.0	4.7	5.2	4.7
Fuel	12.3	10.8	20.7	17.2	17.4
Insurance	4.8	3.6	4.7	6.0	2.4
Repairs & Painting	11.7	9.1	10.0	18.1	10.0
Wages	6.2	4.8	7.8	8.6	5.0
Other	7.0	5.4	—	—	4.0
Total Oper. Exp.	65.1	56.3	62.8	70.0	68.5
Net Oper. Income	34.9	43.7	37 2	29.9	31.5
			Brownstones, 1 and 2 family		
Real Estate Taxes			21 8	21.8	24.0
Utilities			2.9	3.8	4.3
Fuel			11.2	22.4	11.7
Insurance			3.7	3.2	2.5
Repairs & Painting			11 2	19.2	10.0
Wages			—	—	4.2
Other			—	—	4.0
Total Oper. Exp.			50.8	70.5	60.7
Net Oper. Income			49.2	29.5	39.3
			Brownstone — Rooming Houses		
Real Estate Taxes	16.3	16.3	9.4	9.4	
Utilities	5.5	4.6	6.6	7.1	
Fuel	9.0	7.7	7.0	9.0	
Insurance	3.9	3.3	2.8	1.0	
Repairs & Painting	10.4	6.8	10.0	15.0	
Wages	10.6	6.1	4 2	12.0	
Other	14.1	10.4	3.5	5.0	
Total Oper. Exp.	69.7	55.1	43.5	58.5	
Net Oper. Income	30.3	44.9	56.5	41.5	

Table A-28 (continued)

Expense Item	Reported	Adjusted	Estimated by Property Managers High	Estimated by Property Managers Low	Estimated by N.Y.C.H.A.
			Brownstones — Multi - family		
Real Estate Taxes	18.7	18.7	12.9	12.9	17.2
Utilities	4.2	3.2	2.4	3.8	3.0
Fuel	11.4	10.3	7.8	10.4	6.9
Insurance	5.4	3.2	2.1	1.0	1.7
Repairs & Painting	11.4	10.0	5.2	14.6	10.0
Wages	7.1	6.2	6.2	5.2	3.3
Other	9.6	6.4	—	—	4.0
Total Oper. Exp.	67.8	58.0	36.6	48.0	46.2
Net Oper. Income	32.2	42.0	63.4	52.0	53.8

Expense Item	Reported	Adjusted	Estimated by Property Managers High	Estimated by Property Managers Low	Estimated by N.Y.C.H.A.
			Elevator Apartments		
Real Estate Taxes	18.8	18.8	17.3	17.3	17.3
Utilities	4.4	3.4	2.8	5.3	3.9
Fuel	5.2	4.9	7.8	7.8	8.6
Insurance	2.2	2.1	2.5	3.5	3.1
Repairs & Painting	8.1	7.5	9.8	14.1	10.0
Wages	18.1	13.8	4.7	8.2	5.6
Other	7.4	6.9	—	—	3.0
Total Oper. Exp.	64.2	57.4	44.9	56.3	51.6
Net Oper. Income	36.6	42.6	55.1	43.7	48.4

Table A-29

Expense Items as a Percent of Total Operating Expenses by Type of Property

Expense Item	Reported	Adjusted	Estimated by Property Managers High	Estimated by Property Managers Low	Estimated by N.Y.C.H.A.
			Old-Law Tenements (Walk-Ups)		
Real Estate Taxes	30.2	34.8	23.8	21.3	36.5
Utilities	5.5	5.4	7.4	7.4	6.9
Fuel	18.9	19.2	33.0	24.6	25.3
Insurance	7.3	6.4	7.6	8.6	3.5
Repairs & Painting	17.9	16.1	15.9	25.8	14.6
Wages	9.5	8.5	12.4	12.3	7.4
Other	10.7	9.5	—	—	5.8
Total Oper. Exp.	100.0	100.0	100.0	100.0	100.0
			Brownstones, 1 and 2 family		
Real Estate Taxes			42.9	30.9	39.5
Utilities			5.7	5.5	7.2
Fuel			22.1	31.8	19.2
Insurance			7.3	4.5	4.2
Repairs & Painting			22.1	27.3	16.5
Wages			—	—	6.9
Other			—	—	6.5
Total Oper. Exp.			100.0	100.0	100.0
		Brownstones — Rooming Houses			
Real Estate Taxes	23.4	29.6	21.6	16.1	
Utilities	7.8	8.4	15.2	12.1	
Fuel	12.9	13.9	16.1	15.4	
Insurance	5.6	6.0	6.4	1.7	
Repairs & Painting	20.0	12.3	23.0	25.6	
Wages	15.2	10.9	9.7	20.5	
Other	20.2	18.8	8.0	8.5	
Total Oper. Exp.	100.0	100.0	100.0	100.0	

Table A-29 (continued)

Expense Item	Reported	Adjusted	Estimated by Property Managers		Estimated by N.Y.C.H.A.
			High	Low	
			Brownstones — Multi-Family		
Real Estate Taxes	27.6	32.3	35.2	26.9	37.2
Utilities	6.3	5.6	6.5	8.0	6.5
Fuel	16.8	17.7	21.3	21.7	15.0
Insurance	8.0	5.6	5.7	2.2	3.8
Repairs & Painting	16.8	17.3	14.2	30.4	21.2
Wages	10.4	10.6	17.1	10.9	7.2
Other	14.2	11.0	—	—	8.7
Total Oper. Exp.	100.0	100.0	100.0	100.0	100.0

Expense Item	Reported	Adjusted	Estimated by Property Managers		Estimated by N.Y.C.H.A.
			High	Low	
			Elevator Apartments		
Real Estate Taxes	23.4	32.8	38.4	30.6	33.4
Utilities	6.4	5.9	6.2	9.5	7.6
Fuel	7.8	8.5	17.5	13.9	16.7
Insurance	3.4	3.7	5.7	6.3	6.2
Repairs & Painting	15.5	13.1	21.8	25.1	19.4
Wages	27.5	24.1	10.5	14.6	10.9
Other	11.1	11.9	—	—	5.8
Total Oper. Exp.	100.0	100.0	100.0	100.0	100.0

Table A-30

Net Operating Income as a Percent of Consideration by Type of Property.

(Based on Data as Reported)

Percent Return	All Cases	Old Law Tnmt.	Brownstones multi-family	Brownstones rooming houses	Elevator Buildings 1	2	3	4	5	6
Under 2.0	9	5	-	4	—	—	—	—	—	—
2.0 - 3.9	16	8	5	3	—	—	—	—	—	—
4.0 - 5.9	22	11	1	3	7	3	4	1	4	2
6.0 - 7.9	31	15	2	5	9	1	8	1	2	6
8.0 - 9.9	27	13	1	5	8	2	6	1	3	4
10.0 - 14.9	19	5	2	6	6	4	2	0	5	1
15.0 & over	14	6	4	1	3	3	0	1	2	—
Weighted Average	7.9	7.4	10.7	8.0	7.9;	10.8;	7.3;	12.0;	9.1;	7.1
Median	7.6	7.3	7.5	7.8	8.0;	11.3;	7.5;	8.9;	8.9;	6.8
(Data as adjusted)										
Weighted Average	9.5	9.3	13.9	11.9	9.3	—	—	—	—	*

* Not adjusted

1 — all elevator buildings

2 — elevator buildings built before 1920

3 — elevator buildings built 1920 to 1941

4 — elevator buildings 6 stories & under

5 — elevator buildings 7 to 12 stories

6 — elevator buildings 13 & over stories.

Table A-31

Net Operating Income as a Percent of Assessed Value, 1955-56 by Type of Property

Percent Return	All Cases	Old Law Tnmt.	Brownstones multi-family	Brownstones rooming houses	Elevator Buildings 1	2	3	4	5	6
Data as reported										
Under 2.0	12	5	2	5	—	—	—	—	—	—
2.0 - 3.9	21	12	4	4	1	1	—	—	1	—
4.0 - 5.9	26	13	2	5	6	1	5	—	2	4
6.0 - 7.9	35	18	3	3	11	5	6	1	5	5
8.0 - 9.9	21	8	-	3	10	3	7	1	5	4
10.0 - 14.9	13	5	3	2	3	1	2	1	2	—
15.0 & over	10	2	1	5	2	2	—	1	1	—
Weighted Average	6.9	5.4	7.0	7.0	7.3;	8.0;	7.1;	12.1;	7.5;	6,9
Median	6.0	6.2	6.0	5.6	7.6;	8.3;	7.4;	9.9;	7.9;	7.0
Data as adjusted										
Weighted Average	8.4	6.8	9.1	10.3	8.6					
Data based on estimates of property managers										
High Mean	14 4	9.8	19.6	23.5	12.8					
Low Mean	11.4	7.9	16.1	17.3	10.1					
Data based on estimate of N.Y.C.H.A.										
Mean	10.1	5.0	12.5	—	11.2					

1 — all elevator buildings

2 — elevator buildings built prior to 1920

3 — elevator buildings built 1920-1941

4 — elevator buildings 6 stories & under

5 — elevator buildings 7-12 stories

6 — elevator buildings 13 stories & over.

Table A-32

Net Operating Income after Debt Service as a Percent of Equity for Various Assumed Levels of Interest and Amortization by Type of Property

	Assumed Interest & Amortization	Old Law Tnmts. (walk-ups)	Brownstones multi family	Brownstones rooming house	Elev. Bldgs.	Total
As reported:	7%	8.7%	18.1%	10.5%	12.9%	12.1
	8	5.8	16.0	8.0	7.1	7.3
	9	3.0	14.0	5.6	1.4	3.2
	10	.1	12.0	3.2	neg.	—
	11	neg.	10.0	.7	neg.	—
	12	neg.	7.9	neg.	neg.	—
As adjusted	7	16.0	27.9	23.8	22.8	21.7
	8	13.1	25.9	21.4	17.1	16.9
	9	11.6	23.8	18.9	11.3	12.4
	10	7.3	21.8	16.5	5.6	7.3
	11	4.4	19.8	14.0	neg.	2.6
	12	1.6	17.7	11.6	neg.	1.8
Property managers' estimates	7	28.8	45.7	40.1	38.8	—
	8	25.9	43.7	37.7	32.6	—
	9	23.0	41.6	35.2	26.5	—
	10	20.2	39.6	32.7	20.3	—
	11	17.3	37.6	30.3	14.2	—
	12	14.4	35.5	27.9	8.0	—
NYCHA's estimate	7	14.9	38.6	—	47.6	—
	8	12.0	36.6	—	41.6	—
	9	9.1	34.6	—	35.5	—
	10	6.2	32.6	—	29.3	—
	11	3.3	30.5	—	23.2	—
	12	.4	28.5	—	17.0	—

Appendix B

CASE STUDIES OF THE CONVEYANCE AND MORTGAGE HISTORY OF CHARACTERISTIC PROPERTIES IN THE STUDY AREA

These case histories have been prepared to supplement and illuminate the statistical data presented in the body of the report. They are intended to show the complexity of the real estate and mortgage market in the area and provide illustration of the types of interests and motives of the parties to the transactions.

Data presented in these case studies are based upon the historical records of actual properties. All of the names and some of the dates have been changed. An attempt has been made to find reasons for the transactions that are consistent with the known facts, but there is no assurance that these were the true causes.

Information for these records was drawn from the files of the Real Estate Board of New York. The time period covered is roughly from the early 1920's to mid-year in 1956.

Single-Family Brownstone House

In this day of high maintenance costs and population congestion, only a small proportion of the area's many brownstone houses is still in use as private or semi-private residences. The typical house in this dwindling group was built before the turn of the century, is three stories in height, contains a total floor area of 3,129 square feet, covers slightly more than half the plot on which it stands, and, like the multitude of brownstones that have now been converted to rooming houses, or to small apartment houses, is likely to be found on one of the side streets, especially in the eastern half of the area along the approaches to Central Park. The example selected to represent this group conforms very closely to these specifications.

In a conveyance recorded in 1925, title to the property passed from Anthony Biandi to the Busoni Realty Corporation. This was very likely a nominal transaction to limit Biandi's personal responsibility in the repayment of a mortgage loan of $12,000 (Title Trust Company as mortgagee) that was recorded on the same day in which the conveyance took place. Two years later an additional mortgage in the amount of $21,000, at 6 percent, and due in only three years, was assigned to Paul Weston, an individual lender. The purpose of this loan was not determined.

The second conveyance was recorded in 1927, with Busoni Realty transferring title to Alfonzo Balinni, who may well have been a relative or close friend of Biandi. This is a nominal transfer of interest because of the unusually large mortgage obligation still outstanding against the property at the time of the transfer, a total of $27,000 in first and second liens, as compared with an assessed value of $25,000 in that year. This difference sheds some light on previous transactions.

Since assessed values for all types of structures rose sharply during the late years of the 1920's, it is highly improbable that the value of the house was higher in 1927, the year in which the junior mortgage of $21,000 was granted, than in 1929. It also seems unlikely that the true value of the loans would have exceeded the assessed value of the property - even during the boom years of the 1920's. It is doubtful, in fact, whether even an inexperienced lender would have allowed as large an amount as $21,000 in return for a lien already preceded by the $12,000 mortgage held by the Title Trust Company. More likely, the second loan was substantially discounted at the beginning, so that the actual remittance to the owner was considerably smaller than the recorded figure. Since the usury laws of New York State permit corporations to accept loans at a discount from the recorded amount, the corporate form of ownership in effect at the time of the loan would have facilitated an arrangement of this nature.

The final transfer in this series of nominal changes in ownership took place on April 22, 1930. with Mr. Biandi once more assuming direct title to the property. This move appears to have constituted the first step in preparations anticipating what would be, perhaps, the only bonafide sale transacted by Mr. Biandi. The second step was realized when the Title Trust Company assigned the $8,300 unamortized balance of the first lien to the Eastern Savings Bank, which in turn extended the loan to 1950 and set the interest rate at 4½ percent.

In the summer of 1930, title passed from Anthony Biandi to "Michael Reilly and another." The face amount of the mortgages outstanding at this time and assumed by the purchaser came to $27,000, but as there were no revenue stamps affixed to the deed, no further consideration was officially involved. The records do not again refer to Mr. Biandi as principal in the chain of title. and the transfer to Michael Reilly and another, despite the complete absence of cash equity, may very well have been *bona fide*. The "no equity" sale occurred not long after the financial debacle of 1929. Mr. Biandi's record to this point suggests that he was well versed in legal arrangements that would contribute to his profit or protection. It is likely that at this point Biandi could no longer meet the high carrying costs of his over-mortgaged house, and he may have sought a means of delegating or distributing his fiscal responsibility.

During the ten depressed years from 1930 to 1940, Michael Reilly and another succeeded in keeping the property solvent. In fact, the junior mortgage of $21,000 taken by Paul Weston in 1927 had been reduced to $7,000 by 1933 and had been fully satisfied, undoubtedly by some compromise arrangement, in April of 1934. By 1940, the unnamed principal possibly decided to withdraw. Records indicate a conveyance on September 30, 1940, from Michael Reilly and another to Gertrude Reilly, with no equity involved. Whatever working arrangement may have existed between Mr. Reilly and "another" was presumably dissolved under conditions satisfactory to both, for title to the property was thereafter clearly vested in the Reillys, specifically in the name of Mrs. Reilly.

After 1940 the renascence experienced by the property during the 1930's was sharply reversed, and on March 16, 1944, by means of a voluntary surrender of deed, the Reillys relinquished their holding to the Eastern Savings Bank, senior mortgagee since 1930.

Before many months had passesd, the bank disposed of the property to Miguel Rodriguez, taking back a purchase money mortgage for $8,300, requiring only $1,200 in cash, and thus establishing the consideration at $9,500, in contrast to the assessed value of $15,000 recorded for the property in that year. Both the low price and the low equity reflect general banking policy during this period of liquidating all acquired property as expeditiously as possible.

In the decade following Rodriguez's acquisition, there were three additional transfers. The first of these took place on June 8, 1948, between Mr. Rodriguez and Guido Gonzales, with the latter assuming a prior mortgage of $8,100, and presenting cash equity of $1,400. for a total price of $9,500, identical with the low consideration recorded for the transaction between Rodriguez and the bank less than a year earlier. In the same month, March of 1948, Mr. Gonzales resold the property to Joseph and Juanita Lopez for a price of $13,700, an increase of 44 percent over the consideration of only three weeks before. With the outstanding mortgage amount unchanged, the equity furnished by Mr. and Mrs. Lopez came to $5,600, a profit of 4,200 on Gonzales' investment. In the following year, April 23, 1949, the final conveyance was recorded with title passing to Henry Turner for an even higher consideration of

$17,300, the seller receiving $4,400 in cash and taking back a purchase money mortgage for $5,100 at 4 percent interest. Although this brought the outstanding mortgages to a total of $12.900, Mr. Turner nevertheless assigned to Roseanne Lyons a third mortgage in the amount of $3,000, due in five years, and charged at 6 percent per annum. With the full obligation consequently increased to $15,900, or 92 percent of the consideration, Mr. Turner's equity in the holding was pared to 8 percent of the apparent market value.

Multi-Family Brownstone House

Many brownstone houses have been converted to multi-family dwellings with small apartment-type accommodations. The typical building in this category was constructed late in the nineteenth century, has four floors, contains a total floor area of 4,237 square feet, occupies better than 60 percent of the plot on which it stands, and like other brownstone buildings, is likely to be found on one of the side streets.

The first conveyance since 1920 occurred in 1944. On December 18 of that year, acting as trustee for her deceased father, Lillian Baker transferred the house to Dora Stone for a price of $14,385, as compared with the assessed value of $25,000. A mortgage taken in 1924 by the Atlantic Savings Bank, but now amortized to $13,135, was assumed by Miss Stone. Her indicated equity of $1,250 constituted only 9 percent of the consideration, which in turn amounted to but 58 percent of the assessed value. The wide spread among equity, consideration, and assessed value can perhaps be attributed to the nature of the transaction, apparently the settlement of an estate, and to the depressed condition of the real estate market during World War II.

Less than two months later, in 1945, Francis Adams purchased the house from Dora Stone for a recorded price of $15,560, assumed the prior mortgage, now down to $13.060, and provided a cash equity of $2,500. Within three months, plans were filed with the Department of Housing and Building for extensive alterations that included rearrangement of partitions and installation of new vent ducts, kitchenettes, and bathroom facilities. The anticipated cost of this project, as recorded in the Register's Office, was placed at $1,000. The completion of the work, four months later in September of that year, marked the conversion to a multi-family dwelling.

In the same month that the alterations were completed, the Atlantic Savings Bank, sole mortgagee of the property since 1924, assigned the outstanding obligation of $12,910 to Hudson Savings, which in turn issued a new mortgage to Francis Adams for $25,000 with interest at 4½ percent and maturity in ten years. The fact that the conversion was already complete at the time of the loan reflects the policy of many banks to make remittance only after the work has been concluded or, at best, in varying amounts during the course of the work. The net amount granted to Adams came to approximately $12,000, indicating that the estimate filed with the Register's Office was only a pro forma entry to facilitate application for a building permit, or a precaution against a rise in tax assessment of the full amount of the conversion.

The next change in ownership took place in January of 1947, almost a year and a half after the conversion, with title passing to Dalton Realty, Inc., upon remittance of $19,000 cash and assumption of the Hudson Bank mortgage of $24,040. Accordingly, the total consideration came to $43,540, as compared with the property's assessed value of only $27,000 in the same year. Even though approximately sixteen months had elapsed since conclusion of the work, the additional value provided by the alterations apparently had not yet been incorporated into the tax structure of the property. This delay was the result, perhaps, of some procedural lag in assessment practice, or a too literal or possibly routine acceptance of the estimate filed with the Register's Office, or of a temporary exemption allowed in the amount of the additional value, as is sometimes granted by the city to encourage the improvement of property.

The new owners, Dalton Realty, Inc., had operated the property for only one year when the need for more capital became evident. A loan of $9,500 at 4½ percent was arranged with an individual lender, Florence Carr, who on the day of the transaction assigned the mortgage to another individual, Thomas Fitch. Two years later, on January 5, 1950, ownership of the building was transferred to Jack Meyers, who committed $10,500 in equity and assumed $30,129 in prior mortgages then outstanding against the property. This conveyance provided the first instance in which the market value of the building, $40,629, began to approach the assessed value, which in this year stood at $45,000, acknowledging, presumably, the improvements instituted nearly five years before.

On March 4, 1954, Mr. Meyers disposed of the property to George and Lila Mendosa for a price of $40,000, taking back a purchase money mortgage for $12,452 of the amount. Because the third mortgage, held originally by Florence Carr, had been satisfied in the preceding year, the prior mortgages outstanding in 1954 and therefore assumed by the

Mendosas totaled only $17,548, indicating a cash commitment of $10,000 on the part of the new owners.

A year later the Hudson Savings Bank extended and consolidated its holdings in the property by reissuing the loan in the amount of $25,000 charged at 4½ percent and due in ten years. In essence, then, the building was refinanced in the same principal amount, rate, and terms as had been arranged by the bank to facilitate conversion in 1945. The $8,557 that had been amortized during the ten-year interim was accordingly remitted to the current owners, the Mendosas.

The most recent conveyance took place on February 28, 1955, with ownership passing from George and Lila Mendosa to Pedro Juanero for a consideration of $44,400, of which $16,000 was supplied in cash. Assumed by Mr. Juanero, then, was the $25,000 senior mortgage, arranged onlv three weeks previously by Hudson Savings, and a balance of $3,400 in junior liens. The small residue in the case of the latter obligations suggests that the remittance made by the Hudson Savings Bank to the Mendosas was in turn applied toward a simplification of the property's debt structure.

Brownstone Rooming House

Originally one or two-family houses, the brownstone dwellings now classified as rooming houses by the Department of Housing and Buildings are the most common type of accommodation to be found in the Study Area. Erected late in the last century, they are typically three, but sometimes four or five stories in height, have an average floor area of 4,000 square feet, cover close to 60 percent of the plot, and are likely to be found in clusters along the various side streets.

When the owner, William Jones, died in the late 1920's, title to the property passed to his daughter, Mary Jones. The house, long occupied by the Jones family as a private home, had previously been cleared of all encumbrances in 1925. The absence of mortgage debt was perhaps the most important factor in the ability of the daughter to retain the property and to continue using it as a private residence throughout the depression years.

On April 18, 1948, the building was transferred to Jackson Brown, an active trader of rooming houses. The consideration of $14,000 was moderately above the assessed value of $12,500 for that year. Mr. Brown's cash equity was $8,000; and a purchase money mortgage for $6,000 at 4½ percent interest due in five years was taken back by Mary Jones. Miss Jones, on the same date, assigned the lien to Dolores Green, probably at a discount.

Mr. Brown's entrance into the chain of title marked the transition of the building from private residence to rooming house. It also provided the first in a series of transactions, nominal and bonafide, in which Mr. Brown participated either as seller or as purchaser. Within a few weeks after some casual alterations had been made, the property was resold to George and Dorothy Gray of Detroit, Michigan, for a price of $18,000, the Grays assuming prior mortgages of $6,000 and presenting $12,000 in cash. But only four months later, ownership reverted to Jackson Brown for a recorded price of $13,000, an apparent loss of over 40 percent in equity for the Grays. On the same day, and perhaps at the same closing, another transfer took place from Jackson Brown to Blanche Doe, with Mr. Brown taking back a purchase money mortgage of $3,000, due in two years with an interest rate of 5 percent per annum, and with Blanche Doe providing $9,000 in cash. Together these provisions of the sale brought the consideration to $18,000, identical with the price involved in the transfer from Brown to the Grays. The mortgage taken back by Mr. Brown was assigned - again on the same day - to Frank King.

None of these several conveyances, each occurring within the same short period of time and each involving Jackson Brown as a principal, can be explained with any degree of confidence, for the data available in mortgage and conveyance records are brief and cryptic. The initial conveyance from Mary Jones to Mr. Brown was probably simple and straightforward. Perhaps the much higher price, obtained from George and Dorothy Gray in the second transaction, was in part a reflection of whatever improvements were introduced in the course of converting the building into a rooming house plus the potential earning power of the building as a result of the new type of occupancy. But the third transaction, involving the return of the property to Mr. Brown, is baffling and may not have been bonafide. It is possible, of course, that the Grays came to New York expressly to operate the newly established rooming house and that difficulties arising from their lack of experience in such operations led them to request Mr. Brown to repurchase the property. In fact, the Grays may have held an option entitling them to return the building within a certain period of time for a specified refund of price. Yet there is reason to believe that the retransfer of title to Mr. Brown was at base a nominal transaction. For it is unlikely that the Grays, with an equity equaling two-thirds of their purchase price, would have accepted, after so brief a venture, a loss of $5,000, or 40 percent of their investment. It is even more unlikely, perhaps, that a bonafide transfer in these terms would have been consummated on the same day, possibly at the same closing, as the further transfer to Blanche Doe for the somewhat higher consideration of $18,000. a figure identical with that entailed when the Grays acquired the property from Jackson Brown.

Why Mr. Brown chose to re-enter the chain of title and then, immediately thereafter, to effect an apparently bonafide transfer to Blanche Doe is not clear. Brokers sometimes follow a similar procedure in order to save the cost of title insurance premiums; and Mr. Brown, in this case, had already cleared title of his own name a short time previously when he initially acquired the holding. In any event, granted that there was some good reason for the repurchase, the low consideration may have been established to offset a nominally larger figure recorded for one or more of three closely related transactions in which Brown participated. Or it is even possible, but not likely, that the low price was entered to save $5.50 in Internal Revenue Stamps. Whatever the specific motive, the transaction was probably carried out for some convenience in arranging what was in effect a tranfer of the property from George and Dorothy Gray to Blanche Doe.

The purchase money mortgage taken back from Blanche Doe on the same day and immediately assigned to Frank King may have included the fees and commissions due Mr. Brown, who for reasons of his own. may have preferred to take his remuneration in the form of paper. By selling the lien to Mr. King, probably at a discount, Mr. Brown would have converted a two-year obligation into cash, the more important asset to an active real estate operator, while Mr. King would have acquired a short-term obligation bearing what would be. in effect, a high rate of interest.

On December 15, 1948, Blanche Doe sold the property to the Brownstone Management Corporation, the latter assuming $12,730 in prior mortgages now outstanding and providing $6.000 in cash. The larger mortgage amount registered for this transaction reflects additional financing obtained by Miss Doe shortly after she came into possession of the building. The acquisition from Miss Doe provided the latest conveyance to be recorded for the property, and it may be assumed that subsequent operation of the rooming house by the new owners has been conducted on a profitable basis, since all but the original mortgage taken out in 1950 by Mary Jones have been satisfied, and since the latter obligation must surely have been amortized to a low balance by now.

Old Law Walk-up Tenement

The typical walk-up tenement in the area was erected sometime between 1880 and 1901, is five stories in height, contains a total floor area of about 10,000 square feet, covers 80 percent of the plot on which it stands, and is very likely to be found along either Amsterdam Avenue or Columbus Avenue. The example chosen for this case study is situated, like so many others of its kind, on Columbus Avenue, the former route of the Sixth Avenue elevated railroad, and was probably built soon after the tracks were laid for this section of the line, perhaps in the early 1880's.

The first mortgage recorded in the 1920's is dated August 20, 1926, at which time a second lien of $6,000 at 6 percent was assigned by the Linn Realty Company, holders of the building for many years, to Leland Jackson. A first mortgage of $43,750, held by the Eastern Life Insurance Company was in existence at the time. About one year later, Mr. Jackson increased the second mortgage loan to $11,000 at 6 percent, and after another nine months, to $20,000 at the same rate.

Though not due until 1932, the entire amount of this junior obligation was satisfied less than a year later on May 27, 1929, at which time a nominal sale of the building, with no revenue stamps affixed to the deed, was consummated between Linn Realty Company and the Columbus Development Corporation, the former taking back a purchase money mortgage in the amount of $60,000 at 6 percent per annum. This conveyance from one realty company to another probably accompanied a reorganization of the participating interests maintained by the principals of the first corporation.

Only six weeks later Linn Realty assigned the mortgage to Leland Jackson - apparently the most active principal in the ownership of the building - who in turn, one year later, assigned it to a Carrie Bourne. Since the latter transfer took place on November 12, 1930, but one year after the financial crash of 1929, the extremely top-heavy second mortgage of $60,000 undoubtedly carried a much deflated market value, though whether on this occasion the transfer was carried out at a substantial discount to the assignor or whether, indeed, the transfer was even bonafide cannot be determined from the records.

Still in the hands of the Columbus Development Company, the old-law tenement apparently fared none too well during the depression years. On March 1, 1932, at the depth of the depression, the Eastern Life Insurance Company registered an extension of the first mortgage, now down to $39,000, to September 1, 1934. By this act the owners soon were inadvertently relieved of further amortization responsibilities, for in 1923, one year prior to the new date of maturity, a state law was enacted, prohibiting foreclosure except on default of interest charges. It was thenceforth impossible to force repayment of the loan. In 1939, nevertheless, a further extension of the loan to 1943 was negotiated in the amount of $38,000 at the reduced rate of 4½ per annum. Since the Moratorium Law was still in effect, the owners apparently entered voluntarily into agreement in order to obtain the lower rate of interest. By consenting to this action, however, the owners relinquished all immunities afforded by the Moratorium Law and assumed full obligation with respect to the conditions set forth in the new agreement.

Apparently the fortunes of the property and of its owners took a turn for the worse during World War II, for on September 28, 1944, five years after the final extension agreement and one year after the final date of maturity, voluntary surrender of deed to the mortgagee was arranged and executed, and the Columbus Development Corporation was divested of its holding, the amount in default totaling $37,854. Records show that the second mortgage of $60,000, originally taken back in 1929 by Linn Realty Company and later assigned first to Leland Jackson and then to Carrie Bourne, was satisfied three weeks after the divestiture. It would appear, however, that the satisfaction must have taken the form of a nominal recordation entered for the sole purpose of clearing title, since if the value of the property at the time of surrender had exceeded the amount in default to the first mortgage, the holder of the junior lien would technically have been in a position to foreclose or at least to participate in the divestiture.

The Eastern Life Insurance Company retained title to the property for only six months, selling the building to Will-Bar Equities Corporation for a price of $40,000, some 35 percent below the assessed value for 1945, the year of the sale. With the purchaser providing an equity of $6,000, the seller took back a purchase money mortgage in the amount of $34,000, charged at the rate of 3 percent for approximately the first year, 3½ percent for the second year, and 4 percent thereafter until maturity in 1955. On the same date, March 5, 1945, and perhaps at the same closing, the president of Will-Bar Equities, William Carter, transferred the property to his wife, Barbara Carter.

Seven years later, on July 29, 1952, the Empire Parkway Corporation acquired the tenement from Mrs. Carter for a consideration of $49,000, providing $18.500 in cash and assuming the mortgage obligation to

Eastern Life, by now reduced to $30.500. In January of the following year, roughly five and one-half months later, the property was resold to Hillside Houses, Inc., which financed the acquisition by furnishing $7,600 cash, assuming the senior obligation to Eastern Life, now down to $30,260, and arranging a purchase money mortgage of $37,140, charged at 5½ percent and due in six years. Together these financing measures brought the price in the last transaction to $75,000, a sum substantially higher than the assessed value in 1952, and 53 percent above the consideration given to Mrs. Carter only a few months earlier.

Why in the space of a few months the market value should have increased by better than half cannot be ascertained from the data recorded on the property card. A clue may be found, however, in the nature of the corporation that served as a purchaser in the first transaction and as seller in the second. Chartered for the express purpose of acquiring the building, the Empire Parkway Corporation was entered under the presidency of Lloyd Ward, widely known in real estate circles as an active trader and developer of properties and as an operator with an efficient and discerning staff. A recognized procedure of Mr. Ward and his associates consists in acquiring a carefully selected property and then instituting improvements that will reduce operating costs while at the same time increasing the rent roll. Alterations such as the replacement of roofing or of outmoded plumbing and the installation of a modern oil burner or of new kitchen equipment might conceivably enhance the investment value of an old-law tenement by many thousands of dollars. Whether improvements of this nature accounted for the higher price received by Empire Parkway can only be surmised.

The acquisition by Hillside Houses, Inc., in 1953, was followed by two nominal transfers, neither of especial interest, and by one bonafide conveyance. In each of the nominal transactions the principals were realty corporations, and the purpose was probably a reorganization of participating interests or the acquirement of some tax advantage. In the case of the bonafide transaction, which occurred in 1955, it is of particular interest that the exchange involved a consideration of $75,742, or slightly more than that received two years previously by Ward's Empire Parkway Corporation, suggesting that for one reason or another, the latter price had perhaps been fully justified. Meanwhile, the assessed value both in 1954 and in 1955-56 stood at $60,000, or 20 percent below the apparent market value of the property.

Elevator-Equipped Apartment Buildings

It is next to impossible to cite a typical example of an elevator-equipped residential building, so diverse are the characteristics presented by the individual structures that make up this broad category. Instead, a typical plot has been selected from among the more expensive parcels bordering on Central Park West, and the two major elevator buildings each of which in its turn have occupied this site during the past quarter of a century, are described with reference to their market history.

Because it was demolished some years ago to make way for the erection of the modern apartment house that now stands in its place, little is known about the age or other characteristics of the first building, except that it occupied a plot measuring 100' x 125', stood ten stories in height, and was probably constructed near the turn of the century. A transfer of title was recorded on March 3, 1923, when ownership passed from Gerald Ronson to the Ferris Realty Company for a consideration of $650,000 for that year. Involved in the transaction were prior mortgages of $402,500, a purchase money mortgage of $237,500, taken back by Mr. Ronson at 6 percent per annum, and most interesting of all, a cash commitment of only $10,000.

The second transfer was recorded two years later, in 1925, with title passing from the Ferris Realty Company to Leon Bergson for the higher price of $730,000. Included in the transaction were prior mortgages that by now had been reduced to $536,500, and equity of $193,500. The transaction yielded Ferris Realty Company an impressive return on this modest investment.

The records show that in 1926 and again in 1928 nominal changes in ownership were negotiated. In the first instance title passed to the Greenell Realty Company, and in the second instance to Midtown Houses, Incorporated. By the time of the latter transaction the outstanding mortgage debt had been increased to $643,00, and the assessed value had been raised to $710,000, approximating the purchase price involved in the last bonafide conveyance in 1925. Although the incorporation of holdings often affords the owner various legal and financial advantages, there is little to indicate what specific reason Mr. Bergson may have had for effecting the two successive changes of title.

In the following year, 1929, the property was acquired by the Simpson Realty Corporation, in an apparently bonafide transaction, pursuant to plans calling for demolition of the structure and erection of a modern.

luxury-type apartment house. At $693,000 the prior mortgage amount assumed by the purchaser was, once again, unaccountably higher than that recorded for the previous transaction. Since no stamps were affixed to the deed, and since a purchase money mortgage loan of $657,000 — reclassified, at the same closing, as a building loan — has every appearance of being nominal, the actual consideration cannot be determined. A profusion of vague, miscellaneous entries made in the records at approximately this time suggests that the undertaking was a joint venture involving several participating interests not all of which were explicitly set forth. It is likely, in fact, that the nominal building loan extended to the owner of record actually comprised the investment of an associate who wished to have his interest specifically stated.

The project was finally set into motion on July 2, 1930, when a nominal transfer of title took place from Simpson Realty Corporation to the Clifton Holding Company, with the purchaser assuming prior mortgages of $1,180,000 and the seller taking back a purchase money mortgage of $400,000. This transaction appears to have been related to a final alignment of interests prior to actual development of the property. A month earlier the Clifton Holding Company had obtained from the Municipal Trust Company a building loan in unspecified amount for the construction of a multi-story apartment house. On July 1, 1930, a month after the nominal acquisition by Clifton Holding had been completed, the Municipal Trust Company reclassified the loan to the new owner of record as a "building and permanent mortgage loan" in an amount now disclosed as $2,700,000. This new mortgage apparently absorbed the previous senior obligation of $693,000 (or slightly less) for the latter does not appear among the second mortgages recorded as having been outstanding at the time. Three six-story apartment-type buildings adjoining the original property were purchased and, along with the principal building, were subsequently razed, enlarging the project site to more than double that of the original plot. On August 30, 1930, official architectural building plans were filed for a nineteen-story apartment house, and construction presumably was initiated soon thereafter.

Even under the best of circumstances it takes much more than a year to complete the preliminary negotiations and undertake the construction of a large apartment house. In this case the financial crisis of October, 1929, came in the midst of this process, after a considerable amount had been invested in the site, but before the building was completed. If construction was arrested at that point, there would be a total loss of the funds already invested. Were construction continued, there was the possibility of recouping some of the current investment, but only at the risk of loss of additional funds. Evidently the principals and the financing institution were too heavily committed to withdraw, and in the face of the onset of the depression, the building was completed.

By the time this building was ready for occupancy, the real estate rental market was in even greater throes than when ground was broken. There was little demand for new luxury apartment accommodations, and the owners were confronted with sharply reduced rent schedules coupled with high vacancy rates. Under these circumstances, it did not take long for bankruptcy to set in. A year and a half later, on March 9, 1932, the two junior liens of $400,000 and $657,000 respectively were assigned to Mr. James Nielson, and simultaneously with this action the new mortgagee filed a foreclosure suit. The outcome does not appear on public records, but is presumed either to have been withdrawn or, somehow, to have been settled outside of court, for less than a year later, on January 23, 1933, the Municipal Trust Company in turn initiated foreclosure proceedings against the Clifton Holding Company and consummated the action on October 18 of that year.

The property remained in the ownership of the Municipal Trust Company until December 10, 1948, when it was acquired by its present owner for a consideration of $1,900,227, consisting of a first mortgage of $1,490,927, a purchase money mortgage of $182,000, and a cash equity of $227,000. In 1948 the value of the property was assessed at $2,650,000, a figure almost 40 percent higher than the purchase price.

Appendix C

INCOME AND EXPENSE ESTIMATES QUESTIONNAIRE FORM

In order to obtain estimates of income and expenses of operating various types of property in the area, a number of real estate management firms were asked to complete the forms that are summarized below. Four major property types were considered, and a short description of each was included. The following general instructions were given on each sheet.

"We are interested in having your estimate of the cost of operating the property described below. Assume that a satisfactory but not exaggerated maintenance program is followed by a long-term investor interested in preserving property values. Please indicate current annual cost and present a range where a precise estimate for the item is not possible."

Old-Law Tenement

This brick walk-up was constructed between 1890 and 1900 and has no major defects at the present time. It covers approximately seventy-five percent of a plot, twenty-five feet by one hundred feet, and is located in the center of a north-south avenue. There are five stories containing ten apartments of five rooms. An additional apartment is found in the basement. Rentable floor area totals 10,500 square feet. There are no stores. The structure is centrally heated by an oil-fired boiler. Rents are controlled at approximately $60.00 per month. Assume that occupancy is virtually one hundred percent. The total assessed value of this property in 1955-56 was $45,000.

Old-Law Tenement with Elevator

This six-story brick structure was constructed prior to 1901, and everything considered, has been well maintained. It covers approximately seventy-five percent of a lot, fifty feet by one hundred feet, and is located mid-block on an east-west street. The twenty-five apartments account for a total floor area of 22,500 square feet. There is one self-service elevator. The heating system is oil-fired. Occupancy is virtually one hundred percent and rents are about $85.00 per month per apartment. The total assessed value of the property in 1955-56 was $110,000.

Brownstone

This two-family brick and frame structure was constructed between 1890 and 1900 and converted in 1935. Generally speaking, it is in good repair. The property covers approximately fifty-five percent of a plot, eighteen feet by one hundred feet, and is located in the center of an east-west street. The building contains two apartments of four rooms each which account for a total floor area of 3,200 square feet. There are no living quarters in the basement. The building is centrally heated by an oil-fired boiler. Rents are $125.00 per month per apartment. The total assessed value of the property in 1955-56 was $18,000.

Brownstone, Multi-family

This brick and frame brownstone was constructed between 1890 and 1900 and converted in 1948. There are no major structural defects. The ground floor area is sixty-five percent of the plot, nineteen feet by one hundred feet. The property is located in the center of an east-west street. The four stories contain six apartments with a total of twelve rooms. In the aggregate, floor area totals 4,300 square feet. The structure is centrally heated by an oil-fired boiler. The gross rental income is $600 per month. The total assessed value for 1955-56 was $31,000.

List of Items

Fuel — Assume average consumption in normal year, no excessive use of hot water, and a winter of average length and severity. Estimate physical requirements.

Light and Power — Assume tenants pay their own utilities. This expense applies to public space and superintendent's apartment only.

Insurance — Assume adequate coverage in type and amount and state what you feel this to be.

Wages — List normal personnel roster, average wage, and approximately amount of time spent per week.

Painting — Assume a three-year cycle, and assume quality of workmanship is commensurate with rents paid.

Repairs — Assume no major repairs required, but that electrical, plumbing, roofing, heating, etc. defects will show themselves in course of a year. Indicate type of repairs.

Maintenance — Make no provision for capital improvements, but indicate amount needed for replacement of various items of equipment —

electrical, mechanical, plumbing fixtures, etc. contained in structure.

Other — Please list any other items that you consider relevant, such as management fees, and supply the cost information for each.

Real Estate, Water, and Sewerage Taxes — These are estimated by us using current Manhattan rates, and are included in this listing for completeness only.

Depreciation on structure and financial charges are to be omitted.

EXPENDITURES FOR ADDITIONS AND ALTERATIONS, 1926 - 1955

There has been a very slow rate of new investment in the existing buildings in the West Side Study Area. Between 1926 and 1955 permits for additions and alterations amounted to $3.6 million or approximately 5 percent of the assessed values in the later year. In all, there were 786 permits for 549 structures, or one-half of the total number in the area. Over 97 percent of the structures in the area were built before the turn of the century.

Only $1.3 million or 38 percent of the total has been spent since 1945. the bulk of the expenditures having occurred in the mid 1930's when strenuous action was taken to eradicate unsafe and unsanitary conditions under the authority of the Multiple Dwelling Law of 1929. When price changes are taken into consideration, the post-war proportion of the total shrinks even further. According to the estimates of architects and contractors. costs during the post-war period were two-and-one-half to three times the pre-war level.

Table D-1

Expenditures for Additions and Alterations, 1926 - 1955
(Amounts in $000)

Year	Number	Percent	Amount	Percent	Average Annual Amount
1926 - 44	501	63.7	$2.212	61.8	110.6
1945 - 55	285	36.3	1,368	38.2	124.4
Total	786	100.0	$3,580	100.0	115.5

In the thirty-year period, 28 percent of the total expenditures for this purpose were made in old-law tenements, 36 percent in brownstones, and 20 percent in elevator apartments, and 15 percent on non-residential structures. Brownstone rooming houses showed the lowest average expenditure per structure, while elevator apartments were at the upper levels.

The purposes and amounts varied widely from trivial expenditures for the erection of a partition to $125,000 for the complete refurbishing of a large apartment house. Other purposes include the installation of fire-retarding stairs, sprinkler systems, fire escapes, elevators, the subdivision of large apartment houses into smaller units, etc. It appears evident that a good portion of these expenditures were made in order to meet legal requirements rather than spontaneous investment undertaken to increase the rate of return.

In interpreting these data, it must be remembered that many permits are issued but not used, and a considerable amount of alteration and repair is undertaken without a permit. Moreover, the stated amount may vary considerably from the actual expenditure (see Table D-2).

Table D-2

Expenditures on Alterations and Additions by Type of Structure 1926 - 1955

Type of Structure	Number of Structures	Amount ($000)	Amount Percent	Average
Old-Law Tenement (walk-up)	143	$822	23.0	$5,750
Old-Law Tenement (single room occup.)	27	185	5.2	6,850
Brownstone, one and two family	20	135	3.8	6,730
Brownstone, multi-family	124	816	22.8	6,580
Brownstone, rooming house	150	353	9.9	2,360
Old Law Tenement with Elevator	8	184	5.1	23,020
New-Law Tenement with Elevator	19	138	3.8	7,250
Post-1929 Elevator Building	21	410	11.4	19,500
Non-Residential Structure	37	539	15.0	14,520
Total	549	$3,580	100.0	$6.520

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